



Country Partnership Strategy Final Review

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Timor-Leste
2016–2022

Asian Development Bank

CURRENCY EQUIVALENTS

The currency of Timor-Leste is the United States dollar.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
BNCTL	–	Banco Nasional Comercio de Timor Leste
COBP	–	Country Operations Business Plans
COL	–	Concessional Ordinary Capital Resources
CPS	–	Country Partnership Strategy
DCWSP	–	District Capitals Water Supply Project
DNSA	–	National Directorate for Water
DUWSSP	–	Dili Urban Water Supply Sector Project
EL	–	Environmental License
EU	–	European Union
FCAS	–	Fragile and Conflict-Affected States
GEF	–	Global Environmental Facility
MLSTP	–	Mid-Level Skills Training Project
O&M	–	Operations and Maintenance
OCR	–	Ordinary Capital Resources
PCR	–	Project Completion Report
DNSAS	–	National Directorate for Water Supply and Sanitation
PF	–	Petroleum Fund
PVR	–	Project Completion Validation Report
RNDSP	–	Road Network Development Sector Project
RNUP	–	Road Network Upgrading Project
RNUSP	–	Road Network Upgrading Sector Project
SDP	–	Strategic Development Plan
TA	–	Technical Assistance
TASF	–	TA Special Fund
TCR	–	TA Completion Report
TVET	–	Technical and Vocational Education Training

NOTE

In this report, "\$" refers to United States dollars.

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EXECUTIVE SUMMARY

The current Country Performance Strategy (CPS) was originally designed for a period of five years, covering 2016 to 2020. The government concurred with the assessment by the Asian Development Bank (ADB) that the CPS remains highly relevant to address the current development priorities in the country and the CPS period was extended till 2022.¹ This CPS Final Review (CPSFR) assesses the performance of ADB during the CPS period and offers lessons learned and recommendations for the next CPS which will be prepared for Board consideration in 2022, covering 2023–2027.

The CPS 2016–2020 was prepared during a period of progress and political stability. The environment for the implementation was however relatively challenging, as the country went through a period of relative political instability, with two successive parliamentary elections and three years of negative economic growth over the period, for the first time since the country's independence, followed by the new corona virus disease (COVID-19) pandemic. Despite great progress since independence, the development context continues to be challenging, with an estimated 30% of people living below the international poverty line.² The private sector remains underdeveloped and state capacity is relatively weak. The economic base is narrow, with high dependence on depleting petroleum reserves, economic growth led by public investment, and low levels of productivity in the existing sectors. Timor-Leste is part of the Fragile and Conflict Affected Situations (FCAS) countries.

The overall program with a score of 1.6, is rated as *less than successful*.

Relevance. The program is rated *Relevant*. The objectives and sector selection are consistently aligned with the successive Governments' strategic priorities and the aid policy, as well as with ADB's Strategy 2020 and Strategy 2030 agendas and operational priorities. ADB's CPS, built on previous achievements, kept strong focus on infrastructure, in particular road transport, which continues to represent the largest share of the portfolio.

Effectiveness. The program is rated as *Effective*. Most outputs and outcomes on road projects were completed or are likely to be. Technical assistance projects showed good performance, with a majority rated effective or highly effective. However, the CPS targets were mostly not achieved, partly because targets were not updated during implementation. Some projects suffered from over-ambitious designs and schedule which caused the need for numerous extensions and occasional change of scopes.

Efficiency. The program is rated *Less than efficient*. All projects completed during the period and most on-going projects are experiencing significant delays in issues related to environmental licenses, resettlement, procurement, recruitment, and payments. Contract award ratio and annual disbursement ratios recorded irregular trends, although they usually remained above FCAS average.

Sustainability. The program is rated *Less than likely sustainable*. Completed and on-going infrastructure projects are threatened by a lack of investment and human capacity in operations and maintenance (O&M). Both completed projects were rated less than likely sustainable.

¹ Letter from Vice Minister and Interim Minister of Finance, No. 421/GVMF/VIII/2019-11, dated 18 November 2019. Implementation of the CPS progressed was delayed due to elections in 2017–2018 and the political impasse in 2019–2020 as well as the COVID-19 pandemic. See [COPB 2021–2023](#).

² Department of Statistics of Timor-Leste and the World Bank. 2016. *Poverty in Timor-Leste 2014*. Dili and Washington, D.C.

Considering the share occupied by infrastructure in ADB’s current and planned portfolios, this represents a large risk to the program’s sustainability. Political ownership was generally good during the period and ADB invested significant resources in capacity development with overall positive results.

Development impact. The strategy, which was aligned with the Government’s development objectives, fell short of most of the SDP targets and CPS framework targets. Nevertheless, ADB activities produced positive results in road infrastructure, public sector management, regional cooperation and integration, agriculture and natural resources, education, and in the finance sector. All activities included a strong focus on governance and capacity development. Overall, ADB contributed positively to the advancement towards these targets and the Operational Priorities identified under Strategy 2030. The CPS is expected to have *satisfactory* development impacts.

Borrower Performance. The Government released counterpart funds in a timely manner, submitted audited financial statements in time, and complied with all grant and loan covenants, at the exception of one project. It was generally responsive and had overall good ownership of the different projects. However, executing and implementing agencies continue to have issues of capacity. Management capacity and understanding of ADB procedures, delays in contract approval and payments, and multi-layered decision processes have slowed down some of the operations. The review assesses the borrower’s performance as *less than satisfactory*.

ADB Performance. ADB activities took place in an unusually difficult context. ADB showed reactivity, adapting its portfolio to government requests when needed. ADB also showed flexibility in project management, adapting the scope and targets of project to new needs and unforeseen issues. Communication with the government is good, but can be better regularized, with enhanced consultation at the sector level. A closer monitoring of projects progress could have nonetheless potentially avoided some delays. There is scope for improving knowledge production and dissemination. The review assesses ADB performance as *satisfactory*.

Previous CPS Review. The CPS review shows a slight improvement from the previous CPSFR, with better results in term of effectiveness and development impact. Efficiency and sustainability continue to be problematic.

	CS 2006–2010, CSFRV	CPS 2011–2015, CPSFRV	CPS 2016–2022, CSPFR
Relevance	relevant	relevant	relevant
Effectiveness	effective	less than effective	effective
Efficiency	less than efficient	less than efficient	less than efficient
Sustainability	less than likely sustainable	less than likely sustainable	less than likely sustainable
Development impact	partly satisfactory	less than satisfactory	satisfactory
Performance of the borrower and executing agency	satisfactory	satisfactory	less than satisfactory
ADB Performance	partly satisfactory	satisfactory	satisfactory
Overall Assessment	partly successful	less than successful	less than successful

Lessons. Key lessons learned during the final review include:

1. Despite significant development achievements since independence, the pace of progress has slowed down in Timor-Leste, with almost a third of the population living under the international poverty line. The level of non-oil GDP per capita is declining since 2013. Attaining an inclusive and sustainable economic growth remains challenging.
2. Economic diversification has been limited and needs to be urgently addressed as oil resources deplete. Additional support to private sector development and fiscal sustainability is a priority.
3. ADB activities continue to encounter delays which derive largely from the low implementation capacity of the executing agencies and private contractors and difficulties in the enforcement of safeguards.
4. O&M continues to be severely underfunded and poses a severe threat to the sustainability of all existing and future investments in infrastructures.
5. Governance and institutional capacity continue to be limited and need to be better accounted for during project preparation and implementation, with additional support and appropriate project timelines and scope.
6. ADB has been supporting sectoral planning and strategy development. Given the limited state capacity, experience shows that long-term engagement in a sector is key to ensure success in implementation of the strategy.
7. The progressive delegation of project administration to TLRM has been successful and has helped ensure flexibility and efficient communication throughout the project implementation cycles, although project monitoring need to be further reinforced. Strengthening the involvement of TLRM staff in the project design will help ensure a context-appropriate project scope.

The final review concludes with the following recommendations for the next CPS:

1. ADB should continue to build on its advantage and experience in infrastructure while maintaining efforts to diversify the investment portfolio to new sectors. Given the context, the nonlending program should continue to accompany the preparation of high-quality investment projects and support Timor-Leste's efforts to improve governance, capacity, and regional cooperation and integration.
2. ADB needs to put additional efforts in reinforcing O&M. The current levels of funding and capacity continue to pose a threat to the sustainability of the infrastructure.
3. ADB should ensure that all projects build long-term capacity. Support to good governance requires long term intervention to yield results and ADB interventions need to be consistent and flexible.
4. ADB should strengthen project delivery efficiency through strict application of readiness criteria, additional sectoral consultations to ensure that programs and project designs are realistic and implementable, and continuous monitoring of civil work and safeguards.
5. ADB can consolidate collaborations with other partners to improve coordination and explore additional opportunities for cofinancing and grants.
6. ADB has scope to increase the impact of knowledge work, in partnership with donors, civil society, and private sectors, and leverage on cooperation with other countries through regional TAs. Dissemination of knowledge and communication can also be improved.
7. ADB needs to cover the Strategy 2030 operational priorities and incorporate tracking of indicators, including those in the corporate results framework (CRF), in a systematic manner for all projects in order to more accurately monitor and assess development impacts.

I. COUNTRY CONTEXT, GOVERNMENT STRATEGIES AND ADB SUPPORT

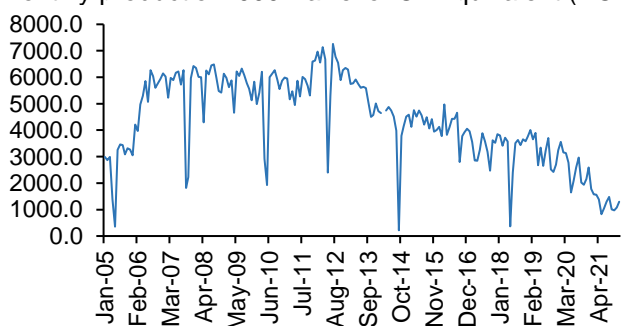
A. Economic Context

1. Timor-Leste has an open and dualistic economy, dominated by offshore petroleum production and government spending. The country's non-oil economy grew at an average rate of 6.6% between 2007 and 2016, peaking at 11.3% in 2011. The growth rate has since steadily declined. In 2017, political uncertainty led to a period of economic volatility when non-oil GDP per capita fell to its lowest since the 2006 crisis and growth averaged -0.4% per annum between 2016 and 2019. A rejection of the rectification budget in the last quarter of 2017 was followed by elections in 2018 and a delay in the approval of the 2018 budget by nine months which led to a fall in public investment. The economy rebounded to 3.4% in 2019 but the moderate stimulus was insufficient to reverse the contraction of the previous two years. The 2019–2020 political crisis saw a rejection of the 2020 budget and the formation of a new coalition government in June 2020. Along with the global coronavirus disease (COVID-19) pandemic and delays in passing the budget have brought the country back to a negative growth rate for 2020. Forecasts project a contraction of the economy between -6% and -10%, the lowest ever since the country's independence in 2002.

2. Timor-Leste's onshore economy, dominated by the public sector, uses drawdowns from the petroleum income to finance public investment, service delivery, and large social assistance programs. During 2016–2019, the withdrawals from the Petroleum Fund financed 73.4% of all public spending but cumulative withdrawals exceeded the estimated sustainable level by an average of 114%. Approximately 70% of the population is rural. Agriculture employs 31% of the population, provides subsistence to an estimated 66%, and accounts for virtually all non-oil merchandise exports. There is clear potential to increase agricultural production, but investments are required to increase productivity and make the agriculture sector more profitable for farmers. Formal employment opportunities are concentrated in the public sector and in businesses that supply the government, such as construction. There is almost no local manufacturing. The service sector accounted for 67.6% of non-oil GDP in 2018. Tourism provides a significant opportunity to expand service exports, but the sector remains at a very early stage of development and is characterized by high costs and low visitor numbers. Thus, economic diversification and the development of a sustainable non-oil economy has been limited.

Figure 1. Oil Production 2007-2021

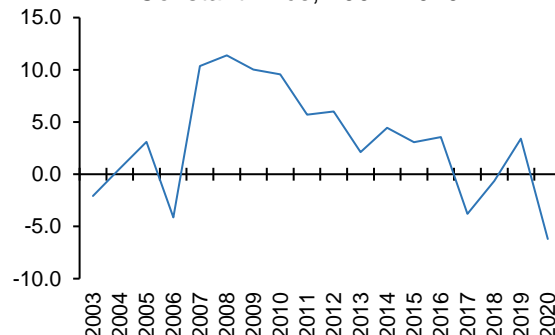
Monthly production '000 Barrel of Oil Equivalent (BOE)



Source: National Authority of Petrol and Minerals

Figure 2. Non-oil GDP Growth Rates

in Constant Price, 2007–2020



Source: General Directorate of Statistics of Timor-Leste and ADB staff estimates

3. The offshore petroleum production has virtually no links to the rest of the economy. Production from the current petroleum fields peaked in 2012 and is forecast to end in 2021 (Figure

1). Goods and services trade, excluding oil and gas exports, has a large deficit. Beyond 2021, the trade deficit is expected to be financed through official development assistance and investment income from the sovereign wealth fund, therefore decreasing the asset reserve and compromising the durability of the fund. The government has laid the foundations for a next phase of oil and gas developments with the 2018 maritime boundary treaty with Australia, establishing access to the undeveloped Greater Sunrise oil field and large investments in the south coast petroleum cluster.¹ However, the COVID-19 crisis has impacted oil prices and the profitability of these investments (Figure 2). Thus, the challenge of diversifying the economy and creating employment is now more pressing than ever.

Table 2. Key Development Indicators

Indicator	2016	2017	2018	2019	2020e
Population (billion)	1.2	1.2	1.3	1.3	1.3
Non-oil GDP (billion current \$)	1.7	1.6	1.6	1.6	1.6
Non-oil GDP per capita (current \$)	1,361.8	1,300.1	1,243.9	1,274.7	1,225.1
Revenue (% of non-oil GDP)	60.9	67.5	79.5	93.5	110.2
Petroleum revenue from taxes and royalties (million current \$)	223.9	421.7	389.4	756.3	306.1
Sovereign Wealth Fund investment income (million current \$)	647.7	1,612.1	-459.9	1,031	661.6
Fiscal balance (% of non-oil GDP)	-49.3	-17.5	-5.9	8.0	16.3
Merchandise trade balance (% of non-oil GDP)	-33.0	-38.2	-37.6	-34.6	-14.4
Tourism receipts (% of non-oil GDP)	3.5	4.5	-	-	-
Remittances (% of non-oil GDP)	4.8	5.4	5.6	5.9	-
Sovereign Wealth Fund assets (\$ billion)	15.8	16.8	15.8	17.7	18.7
Human Development Index	0.63	0.62	0.63	-	-
School Enrollment, primary (% gross)	125.7	119.8	115.3	112.5	-
CO2 Emissions (metric tons per capita)	0.41	-	-	-	-

Note: - = N/A. Source: Timor-Leste National Accounts 2002-2018; Asian Development Outlook 2019; Central Bank of Timor-Leste Monetary Statistics, 2002–2019; UNDP Human Development Reports; World Bank – World Development Indicators; ADB Staff estimates

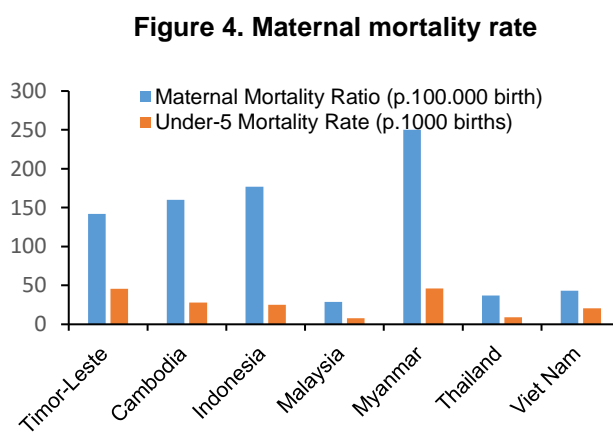
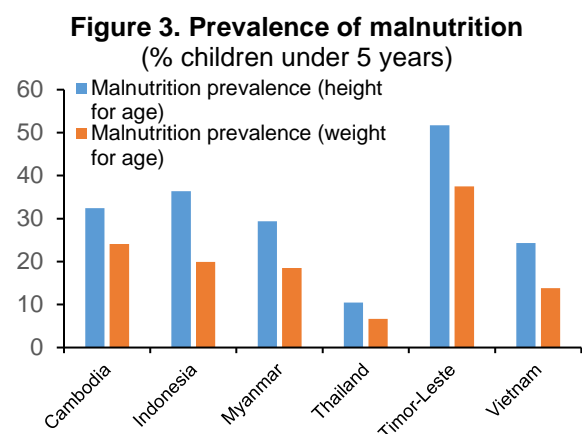
B. Development Challenges

4. Between 2007 and 2014, there was a fall in the national poverty rate from 50.4% to 41.8% and the share of citizens with incomes below the internationally comparable poverty line of \$1.90 per day (adjusted for purchasing power parity) declined more rapidly, from 47.2% to 30.3%.² The poverty gap, which measures the severity of poverty, also declined. Although the absolute number of poor is higher in Dili than in other municipalities, poverty remains higher in rural areas at 47.1% in 2014, compared to 28.3% in urban areas. There has been no nationally representative

¹ The completion of maritime boundary negotiations with Australia and signing of an agreement in 2018 has clarified the process for developing the Greater Sunrise oil field, with an increase of Timor-Leste's share of future revenues from 50% to 70-80%. The south coast development project is commonly referred to as Tasi Mane, and includes development of an LNG plant, oil refinery, logistics supply base, and construction of new townships and transport infrastructure to link the various clusters. Although the location of the LNG plant is still under discussion, Timor-Leste has become a major shareholder in the Greater Sunrise project, acquiring 56.6% of the equity in the Greater Sunrise Joint Venture (GSJV) through an investment of \$650 million (40% of non-oil GDP) to purchase equity from two multinational oil companies. This investment was financed through a loan from the Petroleum Fund to the national oil company Timor Gap, giving leverage for Timor-Leste to push for the LNG to be located on Timor-Leste's south coast.

² The national poverty line represents the average cost of meeting basic needs computed from three categories of expense (food, rent, and other) and varies across municipalities. It is highest in Dili, which reflects its higher cost of living. The national poverty line grew by 84.5%, from \$25.14 per person per month in 2007 to \$46.37 per person per month in 2014. (source: World Bank Group. 2018. *Poverty in Timor-Leste 2014*. Washington, D.C.)

household survey since 2014. However, considering the stagnation of GDP per capita and the absence of any major reforms in social protection, it appears likely that there has been little or no progress on poverty reduction.



Source: World Bank, World Development Indicators.

Source: World Bank, World Development Indicators.

5. There have been clear improvements in some development aspects over the last decade. There was an increase in the population with electricity coverage from 38.0% in 2010 to 85.6% in 2018.³ The net enrolment ratio for secondary school increased from 22.38% to 42.83% between 2011 and 2019⁴. Progress has slowed down in recent year, with the Human Development Index (HDI) declining from 0.628 in 2015 to 0.626 in 2018 and falls to 0.450 after weighing for inequality (IHDI).⁵ When disaggregating by gender, Timor-Leste shows female HDI value of 0.589 in contrast with 0.655 for males, confirming a strong gender bias. The provision of public goods and services remain inadequate. Population having access to improved sources of water increased from 65.9% in 2010 to 74.7% in 2015, showing limited improvement.⁶ The maternal mortality rates declined, but is at 42 per 100,00 live births and is in the higher average of Southeast Asia. Food security, together with the lack of safe water and sanitation, have led to Timor-Leste having one of the highest incidence of infant malnutrition in Southeast Asia, and one of the highest rates in the world (Figure 3 and Figure 4). This is one of the most pressing challenges to address.

6. Timor-Leste is classified in ADB's list of fragile and conflict-affected situation (FCAS) countries. The country has remained relatively peaceful despite recent political events, demonstrating successful constitutional checks and balances. Nonetheless, the events have highlighted the fragility of Timor-Leste's development progress and the challenge of forming inclusive coalitions in a fragile post-conflict setting due to long-lasting political rivalries between the key leaders of the country's independence struggle. Weak governance and institutional capacity are also slowing down the development process. The World Risk Report ranks Timor-Leste as the 12th most disaster-prone out of 171 countries, in particular due to severe and recurrent droughts, flooding and landslides. These various dimensions of fragility require special

³ World Bank. [World Development Indicators](#) (accessed October 29, 2020)

⁴ Ministry of Education. Education Management Information System (accessed October 29, 2020)

⁵ UNDP. 2019. *Human Development Report 2019*. Geneva. HDI is a composite measure of material well-being, health, and education, calculated as a geometric average of gross national income per capita, life expectancy, expected years of schooling for children currently at school, and average years of schooling completed by adults.

⁶ The General Directorate of Statistics produced the 2010 and 2015 Census. A new Census is planned for 2021 which will provide updated data.

attention and appropriate responses centered around political instability, weaknesses in governance and core public service delivery, and vulnerability to natural hazards.

7. Timor-Leste also faces structural challenges. A sound and transparent framework for managing the Petroleum Fund has helped to reduce economic volatility. However, the country has not been able to leverage its natural resource wealth to achieve sustained growth and job creation. Development is strongly impeded by limited human capacity in the public sector. Weak public financial management systems also negatively impact the quality of service delivery, which is hampered by low budget execution, lack of oversight in procurement and contract management, lack of performance monitoring, and fragmentation in the management of public investments. The legal and regulatory framework is insufficient in most sectors and is one of the barriers to private sector development. Low workforce skills and limited access to finance are additional factors impeding business development. The multiple changes in Governments and coalitions have slowed down implementation of key reforms. Extreme reliance on decreasing oil resources poses high risk to fiscal sustainability. Kickstarting economic growth, not reliant on oil, requires strong political will and ambitious structural reforms. Investments in human and physical capital are necessary to carry out economic diversification and poverty eradication.

C. Political Context and Strategic Development Planning

8. The CPS was designed under the VI Government of Timor-Leste, aligned to the country's Strategic Development Plan 2011–2030 (SDP).⁷ Infrastructure development is one of the four pillars of the SDP. The SDP also maps reforms and objectives to develop human capital, diversify the economy, and develop a legal and institutional framework considered necessary to enable Timor-Leste to become an upper-middle income country by 2030. Various medium-term strategies complement the SDP at the sectoral level. The Government's policy aligns with the SDP and is detailed in a five-year program which must be approved by Parliament at the beginning of its term. Some progress was made in the development of road networks, but overall Timor-Leste did not meet any of the SDP's 2020 objectives on infrastructure such as completing the rehabilitation of all national and regional roads and having all government schools connected to clean piped water in rural and urban areas, an increase in the share of electricity generated from renewable sources, and the accession to full ASEAN membership. Non-oil economic growth remains heavily driven by the public sector, and additional institutional reforms and investments in human and physical capital are necessary to carry the diversification of the economy and eradicate poverty. The CPS also aligns with the program of the VIII Government of Timor-Leste which is in the continuity of the two previous Governments.

9. The CPS 2016–2020 was prepared and approved during a period of political stability and relatively good economic performance. The 2017 parliamentary elections were followed by a period of uncertainty after the failure of the leading party to compose a majority coalition, which led to elections in 2018 after which the 2019 budget was passed. However, the ensuing political impasse in 2019 led to a rejection of the 2020 budget, followed by the government restructuring in June 2020 after a new reshuffling in the leading coalition. This uncertainty during 2017–2018 and again in 2019–2020, followed by the current COVID-19 pandemic caused significant delays in project approvals and implementation besides a slowdown in the reforms process. Considering these challenges during the CPS 2016–2020 implementation period, the Government of Timor-Leste agreed that the CPS 2016–2020 priorities remained relevant and agreed to allow additional time for implementation. This is reflected in the enhanced Country Operations Business Plan 2021–2023.

⁷ Government of Timor-Leste. 2011. [Timor-Leste Strategic Development Plan, 2011–2030](#). Dili

II. ADB'S COUNTRY PARTNERSHIP STRATEGY 2016–2020

A. CPS Objectives

10. **Strategic objectives and core sectors.** Timor-Leste CPS 2016–2020 focused on supporting economic growth and diversification by removing infrastructure bottlenecks and institutional constraints and investing in human capital. It re-framed the partnership strategy from a sector-centric definition of goals in the previous CPS to a more thematic definition of priority areas, which have been translated to sector outputs and outcomes. Accomplishments, though, have been hampered by country circumstances and weak institutional capacity. It maintained the focus on infrastructure from the previous CPS, an area where ADB has a strong comparative advantage. Five core sectors were identified to receive most of the resource envelope: (i) transport, (ii) energy, (iii) water and other urban infrastructure services, (iv) education, and (v) finance. Agriculture was added to the assistance areas during the CPS, as agreed with the government. Good governance, gender equity, private sector development, and regional cooperation and integration (RCI) were to be integrated as five cross-cutting themes. A total of nine projects have been implemented, including four newly approved projects and three projects that were closed during the CPS period. The project portfolio covered road transport, education, water and urban services (WUS), and agriculture, natural resources, and rural development (ANR).

11. **Operational priorities.** The strategy centered around improving fiscal sustainability through the reinforcement of operations and management (O&M); economic diversification through the development of a more business-enabling environment; expanding access to finance; technical education programs; environmental sustainability by ensuring climate proofing of infrastructure and increased use of renewable energy; and strengthening linkages with regional and global markets.

B. Country Portfolio and Programs

12. **Loans and grants.** Since 2012, Timor-Leste is a group B developing member country, and is eligible for both regular ordinary capital resources (OCR) lending and concessional OCR lending (COL). The total value of loans, grants, and active technical assistance (TA) during 2016–2020 reached \$370.2 million for investment projects and \$17.03 for TA, including projects carried over from previous periods. Road transport represented the largest share of net transfers with 87% of the total allocation, followed 4.8% to WUS. Two new projects were approved during the implementation period in the transport and ANR sectors.⁸ This aligns with the Government's policy to using loans for infrastructure development, in agreement with the Debt Law which limits public borrowing to financing of "strategic infrastructure".⁹ Sovereign borrowing across all development agencies has been so far used exclusively to finance rehabilitation and upgrading of national roads. Other projects, including development of urban water services and strengthening vocational training, were funded by grants. In addition, one emergency grant for food distribution was approved in 2020 as a response to COVID-19 pandemic under the Asia Pacific Disaster Response Fund. By September 2020, ADB had eight active loans, for a total amount of \$230.7

⁸ In the latter, one project was an emergency grant funded by the Government of Japan through the Asia Pacific Disaster Risk Fund (APDRF) which was prepared in response to the COVID-19 crisis, which triggered a surge in food insecurity. The emergency grant financed the distribution of local food baskets to vulnerable populations.

⁹ Law No 13/2011 of September 28, 2011, Public Debt Regime

million, one grant amounting to \$11 million (ADF grant), and nine TA projects totaling \$9.3 million. ADB is also administering an ongoing district road project financed for \$22.62 million through a European Union (EU) grant and another road project supported by a \$4.5 million grant from the Global Environmental Facility (GEF). Finally, a new grant agreement of \$3.0 million funded by the Japan Fund for Poverty Reduction (JFPR) was signed to support the coffee and agroforestry sector. The complete list is presented in Appendix 1, Table A1.1. Timor-Leste started its first loan principal repayment in 2017. Repayments are at this stage of very limited value (see Table 3).

Table 3. Loan Disbursements, Principal Repayments and Loan Outstanding (\$ million)

Row Labels	2015	2016	2017	2018	2019
Disbursement	35.0	26.4	20.2	28.8	27.9
Principal Repayment	-	-	0.3	0.5	2.4
Loans Outstanding	33.4	52.5	70.6	98.1	123.1

Note: Amounts include sovereign and non-sovereign operations and grants.

13. **Non-lending operations.** The project portfolio was complemented with extensive TA support. Each investment project was accompanied by at least one TA, in agreement with Timor-Leste Debt law. A total of 18 TAs were implemented during the CPS period for a total value of \$17.03 million, including eight that were concluded during the period.¹⁰ Among those, 7 were managed directly by TLRM, which is progressively increasing the share of TAs managed directly. Management of the TAs was divided between the Timor-Leste Resident Mission (TLRM) and ADB headquarters. Of the TA allocations, 39.1% were focused on public sector management (PSM), in particular infrastructure management, 19.7% on RCI, 11% on energy, 8.3% on WUS, 7.5%, on finance, 7.2% on transport, 5.9% on education, and 1.3% on agriculture. The complete list is presented in Appendix 1, Table A1.2.

Table 4. List of Cofinanced Projects, 2016–2020

TA / Project Title		ADB (\$ million)	Cofinancing (\$ million)	Cofinancer
TA 8256	Preparing for Regional Economic Integration	-	0.85	JFPR
TA 8762	Expansion of Financial Service (supplementary)	0.75	0.53	Government of Australia
TA 9932	Implementing Reforms for Growth and Competitiveness	1.0	0.50	Multi-Donor Trust Fund under the Water Financing Partnership Facility
TA 8750	Urban Services Improvement Sector Project	1.3	0.18	Urban Financing Partnership
	TOTAL	3.05	2.06	
G0504	Road Network Upgrading Project (add. financing)	-	22.6	European Union
G0404	Road Network Upgrading Sector Project (add. financing)	-	4.50	GEF-Least Developed Countries Fund
G9209	Coffee and Agroforestry Livelihood Improvement Project	-	3.0	JFPR
	TOTAL	-	30.1	

Note: TA = technical assistance. The TA list does not include regional TA projects.

¹⁰ These figures do not include regional TA projects.

14. **Cofinancing.** Cofinanced projects over the CPS period represented \$30.1 million for two road projects and one ANR project. A grant of \$4.5 million was provided by GEF's Least Developed Countries Fund to support the implementation of the climate proofing measures and \$22.62 million was provided by the EU for the Road Network Upgrading Sector Project (RNUSP). JFPR provided a grant of \$3.0 million to fund the Coffee and Agroforestry Livelihood Improvement Project. An additional \$2.06 million was received from the Government of Australia, the Urban Financing Partnership, the Water Financing Partnership Facility, and JFPR, for four TA projects supporting regional integration, financial services, and water management (see Table 4).

III. ASSESSMENT OF CPS PERFORMANCE

A. Relevance

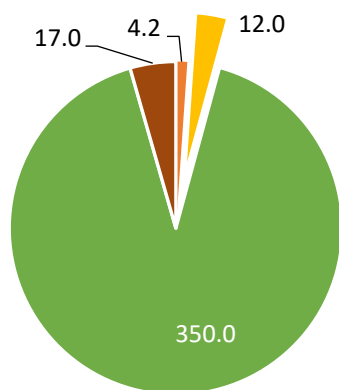
15. **Overall relevance of the strategy.** The objectives and sector selection are consistently aligned with the strategic priorities of successive Governments as well as with ADB's Strategy 2020 agendas and Strategy 2030 operational priorities. The CPS transitioned from sector-centric thrust to a more thematic approach. Accomplishments, though, have been hampered by country circumstances and weak institutional capacity. Financing products and modalities were appropriate for the country's implementation and monitoring capacity. The investment program was accompanied by significant TA support, in addition to standalone TAs in complementary sectors. Of the three investment projects closed during the CPS period, one was found *relevant*, one *highly relevant*, and one *less than relevant*. All 6 TAs for which a TCR was produced during the period were found *relevant* or *highly relevant*. Energy, education, and WUS projects included in the COBP 2016–2018 did not materialize, mainly due to the 2017–2018 election process which brought several changes in leadership and slowed down the approval of new projects, but also partly due to the initial position of the Government on loan funding. Implementation of the CPS was again interrupted due to the 2019–2020 political situation, which saw the rejection of the 2020 budget and a major change in the governing coalition, as well as the COVID-19 pandemic. Consequently, the planned portfolio diversification in the CPS was only partially realized. Several projects reported over-ambitious scope and did not seem to fully account for Timor-Leste's state of fragility in their preparation phase. Planned projects were carried over and are assessed as being still relevant. **The review assesses the CPS 2016–2020 and the ensuing extension to 2022 as relevant.**¹¹

16. **Consistency with government priorities.** The country's development is guided by the SDP. The CPS 2016–2020 was designed under the VI Government and despite successive elections and change in leadership, the Government's program has remained broadly unchanged and remains aligned with the SDP. Since 2011, the Government had expressed clear preference for loans for use of developing the national road network. In 2019, it indicated an intention to diversify the loan portfolio and open loan financing to the sectors of education, water and sanitation, ANR, and health. The COBP 2021–2023 further enhances the CPS by including projects in the finance and information and communication technology (ICT) sectors, previously not included in the original CPS 2016–2020.

17. **Alignment with the Foreign Aid Policy.** In 2019, the Government launched a new Foreign Aid Policy which aims at reinforcing the use of country systems by integrating the portfolio of donor-funded projects in the national planning and budgeting system and improving the alignment of activities of development partners to government priorities. The policy includes a set of new guidelines for approval of projects with the objective of enhanced coordination. Education, health, nutrition, youth and gender, agriculture and rural development, tourism, infrastructure for growth, connectivity and accessibility, water and sanitation, regional integration, private sector development and PSM are listed as priority areas for external support, which confirms the relevance of the CPS 2016–2020, and its ensuing extension to 2022, in its alignment with Government priorities (Figure 5Figure 6).

¹¹ ADB. 2016. [Country Operations Business Plan: Timor-Leste, 2021–2023](#). Manila.

Figure 5. Project resource allocation by sector during 2016–2020
(\$ million)

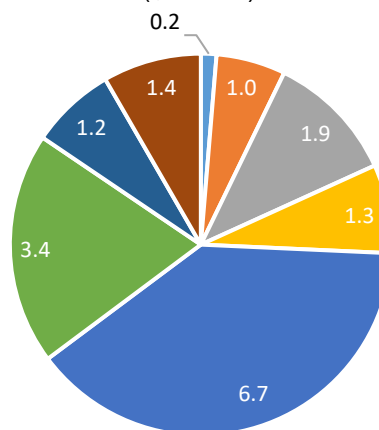


■ Agriculture
 ■ Education
 ■ Water and Urban Services

■ Transport

Source: ADB project documents

Figure 6. TA resource allocation by sector and theme during 2016–2020
(\$ million)



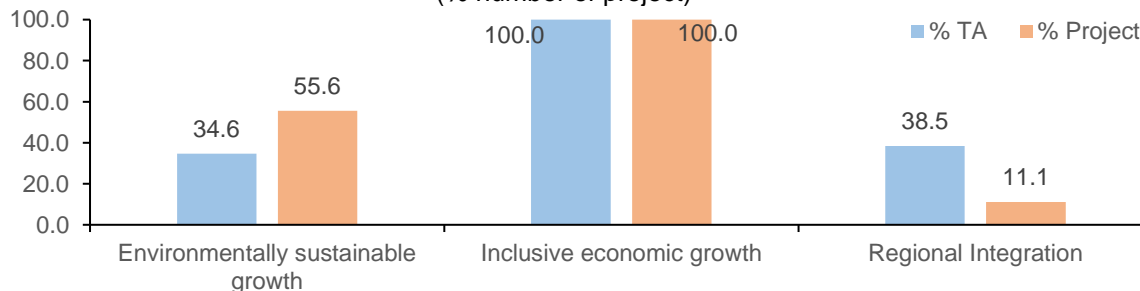
■ Agriculture
 ■ Education
 ■ Energy
 ■ Finance

■ PSM
 ■ RCI
 ■ Transport
 ■ Water

Source: ADB project documents

18. **Alignment with ADB Strategic Agenda and Priority Areas.** The CPS 2016–2020 was approved under ADB’s Strategy 2020 and its subsequent mid-term review and aligns with both documents. ADB Strategy 2020 directed its focus on three strategic agendas: Inclusive Economic Growth, Environmentally Sustainable Growth, and Regional Integration, which were partly or fully integrated in ADB activities during the period (Figure 7). The focus on inclusive economic growth was fully covered by the project and TA portfolios during 2016–2020. The project portfolio was limited on regional integration aspects, with only one output related to the development of infrastructure at a border-post.¹² This is due to the strong focus on national roads and water infrastructure.

Figure 7. Strategic Agenda by project implemented during 2016–2020
(% number of project)



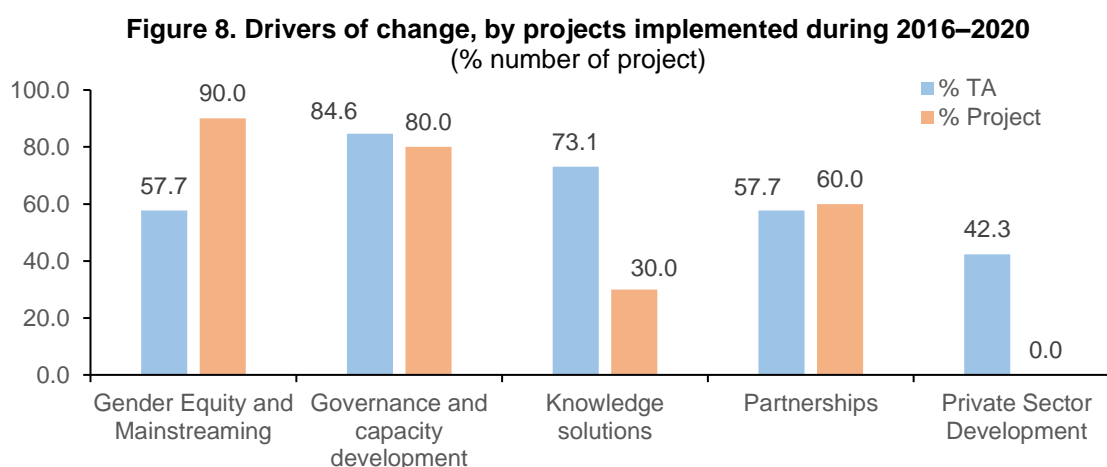
Source: ADB project reports

19. The CPS 2016–2020 and the enhanced COBP 2021–2023, which extends the CPS priorities to the next CPS period, remain aligned to ADB’s updated corporate Strategy 2030 and

¹² ADB. 2013. Timor-Leste: [Loan 2857/2858-TIM: Road Network Upgrading Project](#). Manila.

its operation priorities (OPs). We see particular emphasis of the portfolio on the OP1 on addressing remaining poverty and reducing inequalities, OP2 on accelerating progress in gender equality, OP4 on making cities more livable, OP6 of strengthening governance and institutional capacity, and OP7 of fostering RCI. Additionally, Strategy 2030 emphasizes that while focusing on the operational priorities, ADB support will include strong support in the form of public and private sector operations, advisory services, partnerships, and knowledge.

20. **Drivers of Change.** ADB Strategy 2020 identified drivers of change to be stressed in all ADB operations, in the areas of environment, sustainability, private sector development, gender mainstreaming, knowledge management, and partnerships. The CPS 2016–2020 was designed to align with ADB’s thematic drivers and change and mainstream them through its operations and activities (Figure 8). Knowledge Solutions and Private Sector Development were a focus of TAs, including those that accompanied investment projects, which is explained by the project portfolio’s focus on transport sector. The drivers of change align to some of the Strategy 2030 operational priorities as well as to the overall approach to strengthen ADB support on knowledge, private sector development, and partnerships.



Source: ADB project reports

21. **Response to the CPS 2011–2015 Final Review recommendations.** The previous CPS Final Review (CPSFR) validation report recommended broadening the portfolio to other sector focus beyond national roads, thus allowing for cross-sector synergies. This was partially achieved, with inclusion of ANR to the portfolio, as well as that of energy and water supply and sanitation in the COBP pipeline. However, only road transport projects were approved during 2016–2020, with the approval of projects of other sectors being postponed. Significant work was nonetheless conducted through TAs to prepare for future projects in energy, air transport, and WUS. The validation report also recommended further strengthening capacity development and government-led implementation with better engagement of government officials. This was mostly achieved with piggy-back TAs for projects. Knowledge gaps identified in the country knowledge plan are being addressed through TA support. Finally, the validation report recommended supporting the development of a government-led and development partner-supported asset management and O&M strategy, with a credible financing plan. Extensive work was done through a TA to support a programmatic approach to road maintenance planning in coordination with other development partners active in the sector. Nevertheless, O&M activities are still under-budgeted and there is lack of technical capacity in both the public and private sectors.

22. **Financing modalities and resource allocations.** ADB's lending modalities implemented during the CPS period include a mix of concessional and regular loans (COL and OCR), exclusively in the road transport sector, and grants financing allocated to projects in WUS, education, and ANR. A multi-tranche financing facility (MFF) modality was originally envisaged for an energy project but a decision was finally made to resort to a concessional loan, given the novelty of the intervention for the sector. The Government capacity to design and implement large and complex projects is still developing, and it will require significant support from ADB to successfully implement and track more complex financing tools, and the reliance on more simple instruments is considered relevant for the period.

23. **CPS response to fragility.** Timor-Leste is classified as an FCAS country with limited institutional capacity which slows down the development process. Strong emphasis was placed on improving service delivery and strengthening the business environment. The context requires an appropriate solution-driven response to address challenges of political instability, weaknesses in governance and core public service delivery, and vulnerability to natural hazards. The CPS emphasized the support to governance and public servant capacity through different TA, and all projects included a strong focus on institutional capacity development. Several project completion reports highlighted some overly ambitious targets which did not match the country's FCAS context and resulted in some of the objectives not being met. The political instability also severely impacted project delivery. Both aspects need to be addressed in the next CPS.

24. **Quality of CPS results framework and targets.** The CPS results framework was organized around three objectives: (i) more inclusive and sustainable growth, (ii) improved and human capital and (iii) a more diversified and productive economy. It included indicators for transport, energy, regional integration, education, urban water and sanitation, private sector development, and finance. The CPS did not provide indicators for some non-core areas such as improved PSM. Progress against the CPS results framework are reported in Appendix APPENDIX 2. Sector-level indicators are not always readily available for areas where ADB assistance contributed and should be more carefully chosen in future to ensure regular and meaningful monitoring. A gender-related indicator needs to be included, given the strong focus of the CPS on the "gender equity and mainstreaming" driver of change.

i. More inclusive and sustainable growth

25. **Inclusive and sustainable infrastructure services.** Removing infrastructure bottlenecks was identified as one of the CPS key priorities to support growth and economic diversification. It also aligns with the SDP wherein infrastructure development is one of the four main pillars. Road construction and rehabilitation has been the largest allocation of capital expenditure in the state budget over the past five years. The close synergy between the CPS 2016–2020, and its ensuing extension to 2022, and the government priorities was reflected by the high levels of government counterpart funding for ADB road projects and for the road transport sector in general. To minimize the burden on the state budget, ADB and the government have agreed in 2019 to limit counterpart funding to 25% in future projects. The government priority on roads rehabilitation has remained constant in the three different administrations during the current CPS.

26. **Road transport.** ADB is a lead development partner for the infrastructure sector in Timor-Leste, with the second largest donor budget for infrastructure, and has been working together with the government to develop and rehabilitate infrastructure in a sustainable, cost-efficient, and

inclusive manner.¹³ Out of five road projects implemented in 2016–2020, one was completed during the CPS and was rated *relevant* by the Project Completion Report (PCR)¹⁴, and *less than relevant* by the PCR validation report¹⁵. The on-going road projects are expected to be assessed as relevant, given that the state of the road network continues to be a significant constraint to economic and social development and remains a central objective of the SDP, despite the delays in achieving the 2020 objectives. The Government, assisted by ADB, developed a medium-term road network development program (MTRNDP). The implementation of MTRNDP started in 2010 and all on-going road projects finance a portion of the MTRNDP, improving the funding and capacity for road management and maintenance. Lessons learned from previous projects were incorporated in the design, including the success of a sector approach in allowing the government to progressively take on a stronger and more active leadership role and providing flexibility in case challenges, importance of institutional capacity and long-term road maintenance strategies to further sustainability, and community participation to extend the economic and social benefits of the various projects. A TA attached to the projects (loans 3643/3644) has been supporting the Ministry of Public Works (MPW) in the development of a road maintenance strategy and supporting the Ministry of Transport and Communication (MTC) in the preparation of a policy for the establishment of a land transport authority.¹⁶

27. **Air transport.** Timor-Leste aims to improve air connectivity through the refurbishing and expansion of Dili airport. A small-scale TA was provided for a Preliminary Assessment of the Dili Airport Runway Upgrade as a pre-feasibility assessment on the available options for the extension of the current runway.¹⁷ The TA was rated *highly relevant*, with the project being considered a top priority by the Government and in alignment with ADB's portfolio diversification. ADB is now supporting feasibility studies focusing on the runway extension and ancillary facilities of the airport.

28. **Energy.** Timor-Leste has made significant progress in the electrification of the country over the last 10 years, reaching 98.4% for the urban and 68.3% for the rural population.¹⁸ However, the high cost of generation and poor reliability of electricity supply is still a constraint to economic growth. It is estimated that roughly 60% of generated electricity is not billed. Transitioning to cost reflective electricity tariffs is essential to support long-term fiscal sustainability of the sector. Two TAs in 2016 and 2019 supported the development of a sector strategy and investment roadmap.¹⁹ The government agreed to prioritize investments in the distribution network in 2019 and a project was ultimately proposed. The project will have the following outcomes: i) adequacy, reliability, and sustainability of energy supply increased, and (ii) fiscal performance of Eletricidade de Timor-Leste (EDTL) improved.²⁰ Improving the financial position of EDTL and reducing government subsidies is aligned with the Government's objective of establishing EDTL as a public company. To limit the project's complexity, ADB and the government agreed to change the original modality planned as MFF to a regular loan.

¹³ <https://aidtransparency.gov.tl/>, accessed on October 30, 2020. According to the Aid Transparency Portal, as of October 2020, DFAT had \$619 million of actual commitments for the infrastructure sector, followed by ADB with \$356 million, \$257 million from EU and \$234 million from JICA.

¹⁴ ADB. 2018. *Completion Report: Road Network Development Sector Project*. Manila.

¹⁵ Independent Evaluation Department. 2019. *Validation Report: Road Network Development Project*. Manila: ADB.

¹⁶ ADB. 2018. Timor-Leste: Promoting Sustainable Land Transport Infrastructure

¹⁷ ADB. 2018. Timor-Leste: [Preliminary Assessment for Dili Airport Runway Upgrading Project](#).

¹⁸ General Directorate of Statistics (GDS), Ministry of Health and ICF. 2018. *Timor-Leste Demographic and Health Survey 2016*. Dili, Timor-Leste and Rockville, Maryland, USA: GDS and ICF

¹⁹ ADB. 2019. Timor-Leste: [Energy System Strengthening and Sustainability Project](#), and

ADB. 2019. Timor-Leste: [Electricity System Strengthening and Sustainability Program](#)

²⁰ [Power Distribution Modernization Project](#) (Proposed)

29. **Infrastructure management.** The SDP defines medium- and long-term objectives but provides limited guidance on costings and sequencing of the objectives. The Government has recently produced a series of more detailed implementation plans for the infrastructure sector, allowing better tracking of progress and coordination between actors. ADB supported policy and planning for infrastructure services identified in the CPS 2016–2020 through a masterplan for the transport sector, masterplan for water supply systems in Dili and four municipal capitals, review of the tariff policy in Dili and the development of water resource policies.²¹ A TA for infrastructure management implemented in 2013–2017 covered multi sub-sector interventions for road transport, water supply and sanitation, and power, and addressed challenges related to institutional development, organizational development, and governance.²² Given the importance of reinforcing PSM, the TA was rated as *highly relevant*. An on-going TA aims at strengthening the quality of public investment management, by closing remaining gaps in sector policies and plans in energy, transport, and WUS.²³

30. **Long-term fiscal sustainability.** Timor-Leste’s fiscal sustainability is at risk due to limited domestic revenues. It is essential to decrease pressure on the petroleum fund in the light of the rapidly diminishing oil revenue, as emphasized by governments, development partners, and civil society. Ensuring the durability of new and future infrastructure is key, both high quality infrastructure investments and its regular maintenance. ADB activities during the CPS period put strong focus on ways to reduce net subsidies for infrastructure O&M. The new Transport Sector Master Plan launched in 2018 stresses the need to increase the funding of maintenance. ADB has incorporated a minimum of two years of post-construction O&M into its road investment projects and is working with the government to establish appropriate O&M systems in all infrastructure sectors, such as the development of a road maintenance strategy and plan.²⁴ Another central area of focus for fiscal sustainability has been the energy sector, which is a major drain on the budget due to a costly and outdated production system and distribution network, and poor-quality management. TA support has been provided for the preparation of an investment project to finance the rehabilitation of the current electrical system and reduce the fiscal pressure of the power sector. A knowledge TA is supporting the transformation of the water and electricity departments, previously under the Ministry of Public Works, into two state owned enterprises (SOEs).²⁵ ADB will continue to support this process to ensure that it leads to a qualitative improvement in operations and a more business-based approach, eventually reducing their fiscal weight along with improving service delivery. Finally, reforming the tax system is crucial to Timor-Leste’s fiscal sustainability. ADB supported Timor-Leste’s Fiscal Reform Commission (FRC) activities through TA and approved an additional small-scale TA to support development planning and the preparation of a medium-term expenditure framework in December 2018.²⁶ The FRC was dissolved in 2019 without having managed to pass most of the planned legislation but the government stated its willingness to continue the work initiated in this area.

31. **Environmental sustainability** Timor-Leste is located in a terrestrial and marine biodiversity hotspot, composed of some of the world richest ecosystems, but it is also facing serious environmental challenges, including climate change, natural disasters and unsustainable practices leading to land degradation, deforestation, water pollution and overfishing. A regional TA helped draft the Marine Protected Areas Management Plan in Atauro and Batugade and the

²¹ ADB. 2012. Timor-Leste: [Results-Based Strategy and Sector Planning in the Pacific](#); Timor-Leste: [Second District Capitals Water Supply Project](#); and Timor-Leste: [Strengthening Water Sector Management and Service Delivery](#)

²² ADB. 2012. Timor-Leste: [Infrastructure Management](#)

²³ ADB. 2017. Timor-Leste: [Policy and Planning Development for Public Investments, Subproject 1](#)

²⁴ ADB. 2018. Timor-Leste: [Promoting Sustainable Land Transport Infrastructure](#)

²⁵ ADB. 2019. Timor-Leste: [Implementing Reforms for Growth and Competitiveness](#)

²⁶ ADB. 2016. Timor-Leste: [Fiscal Policy for Improved Service Delivery](#)

the National Fisheries Strategy.²⁷ The Ministry of Agriculture, Forestry and Fisheries (MAF) is responsible for marine resource management but has weak institutional capacity. The Environmental Basic Decree Law (EBL) and the Environmental Licensing Law (ELL) set the legal basis but gaps remain in the legislation. The understanding of implementation and capacity of the existing regulation need to be addressed both within the National Directorate of Pollution Control and Environmental Impact (NDPCEI) and among ministries required to follow the requirements of the EBL and ELL. ADB has been providing support to NDPCEI though capacity development support for licensing activities.²⁸ There is also lack of legislation and monitoring regarding marine protection. ADB also assisted the government to prepare the Strategy Plan for the Development of the Fishery Sector and in the establishment of marine protected areas, both managed by the government and the communities.²⁷ An ongoing regional TA is assessing the introduction of high-level technology solutions to the energy sector, including renewable energy.

32. Infrastructure and sustainability. All infrastructure projects implemented by ADB include social and environmental safeguards that are being monitored during project implementation. Significant efforts were put in climate resilience proofing for the various road rehabilitation projects. Innovative bioengineering and bio stabilization techniques were tested on ADB projects and showed promising results. It was also an opportunity to build skills of the local contractors.²⁹

ii. Improved Human Capital

33. Technical education. The skills gap is a major impediment to economic development in Timor-Leste. There has been a sharp increase in skill mismatch of the employed population from 4.8% in 2010 to 12.2% in 2016, signifying overqualification, i.e. more people are employed in occupations with skill requirements below their educational attainment. Additionally, assessments have showed that the quality of education remains poor. The grant project Mid-Level Skills Training Project (MLSTP) approved in 2012 and closed in 2018, focused on technical and vocational education and training (TVET).³⁰ The project is likely to be assessed as relevant, as it addresses a core issue of technical skills shortage and high youth unemployment by developing curriculum and teaching facilities, enhancing teachers' capabilities and strengthening the Government vocational training and employment institution. It also provides solid foundations for future ADB support to TVET. The project was supported by a TA which aimed at strengthening the pathways and linkages between secondary education, higher education and TVET, informed by an assessment of learning outcomes and market demand.³¹ The Ministry of Education produced an updated Education Sector Plan 2020–2024 which includes updated objectives for TVET along with costing of activities till 2023. The quality of teaching, as well as the dilapidated school facilities, were highlighted as major challenges. The TA also worked on improving the planning and managerial capacity of the Ministry of Education and school officials, while the MLSTP supported the upgrade of TVET facilities.

34. WUS. Unsafe water, lack of sanitation, and inadequate hygiene are the three main causes of poor health in Timor-Leste and are also the primary causes of diarrhea, which has a prevalence of 11% and high incidence of malnutrition (46% stunting, and 24% wasting) among children under

²⁷ ADB. 2010. [Strengthening Coastal and Marine Resources Management in the Coral Triangle of the Pacific \(Phase 2\)](#).

²⁸ ADB. 2017. Timor-Leste: [Policy and Planning Development for Public Investments, Subproject 1](#)

²⁹ ADB. 2018. *Timor-Leste Transport Operations*. Manila.

³⁰ ADB. 2011. Timor-Leste: [Mid-Level Skills Training Project](#)

³¹ ADB. 2015. Timor-Leste: [Policy and Planning for Skills Development in Secondary Education](#)

5 years of age.³² The Dili Urban Water Supply Sector Project (DUWSSP) was initiated in 2007 and closed in 2016 (original closing 2011) in the early stage of the CPS implementation.³³ The project suffered from several delays and was extended six times. Although aligned with government's objectives with focus on the underlying causes of poor water supply in Dili, the project's design was overambitious given the pre-existing water system in place and community behavioral patterns, and the poor institutional and technical capacity levels. It was rated as *less than relevant* by both PCR and VCR, as it failed to integrate core existing issues in its planning and sequencing.³⁴ The project highlighted the importance of integrating institutional capacity and of O&M support in future project designs, given the weaknesses in the institutional structure and capacity. Improving access to water and sanitation has been an important objective of the successive Governments in office through the CPS period. None of the SDP objectives for 2020 on water have been achieved. ADB intervention in WUS started at a time when it was largely under-funded compared to other infrastructure sectors. The lack of prioritization by the government, in part, explains the successive delays in both projects, along with the limited investment in human capacity and the delay in approving a new loan WUS project.³⁵ The current Government has since then expressed interest in an integrated plan for the sector, including priority investments to upgrade water supply and sanitation systems together with institutional reforms, which will help in the achievement of SDG 6 (water and sanitation). The District Capitals Water and Sanitation Project (DCWSP), approved in 2011 and expected to close in 2021 (original closing 2017), aims to improve access to piped water in two municipalities.³⁶ Several TAs during the period attempted to address some of the existing institutional shortcomings. A project preparatory TA implemented in 2014–2018 supported the design for the Water Supply and Sanitation Investment Project, slated as firm for 2021 in the COBP 2021–2023.³⁷ A 2011 TA closed in 2018 to assist the government identify required institutional and regulatory reforms and conduct an assessment to upgrade O&M of the Dili water supply system under a PPP arrangement, was revised following a change of the political context.³⁸ It was rated *highly relevant*, given its alignment to the SDP and with recent Government's emphasis on the water sector. Additionally, at the request of the Government, an on-going TA provides support to strengthen public investment management in Timor-Leste in various sector including WUS.³⁹ It supports development of sector policies and plans for the achievement of SDG 6. ADB has also been supporting the establishment of an SOE and a Regulatory Authority replacing the previous department of water services management.

iii. A more diversified and productive economy

35. **Business-enabling environment.** Timor-Leste's efforts at developing a stronger business-enabling environment has seen limited progress in recent years. Accelerating private-sector development requires multi-faceted interventions to address challenges of the limited financial sector, lack of skilled labor, administrative constraints, legal and governance weaknesses relating to contract and land rights enforcement, and commercial dispute resolution. A core part of Timor-Leste's effort is the review of its legal and regulatory framework for private investment, production, and trade, which is also central for obtaining membership of the

³² General Directorate of Statistics (GDS), Ministry of Health and ICF. 2018. *Timor-Leste Demographic and Health Survey 2016*. Dili, Timor-Leste and Rockville, Maryland, USA: GDS and ICF

³³ ADB. 2007. Timor-Leste: [Dili Urban Water Supply Sector Project](#)

³⁴ ADB. 2018. *Completion Report: Dili Urban Water Supply Sector Project*. Manila.

³⁵ ADB. Timor-Leste: [Water Supply and Sanitation Investment Project](#)

³⁶ ADB. 2011. Timor-Leste: [District Capitals Water Supply Project](#)

³⁷ ADB. 2014. Timor-Leste: [Urban Services Improvement Sector Project](#)

³⁸ ADB. 2012. Timor-Leste: [Strengthening Water Sector Management Service Delivery](#)

³⁹ ADB. 2017. Timor-Leste: [Policy and Planning Development for Public Investments, Subproject 1](#)

Association of Southeast Asian Nations (ASEAN). ADB helped the Ministry of Foreign Affairs (MNEC) analyze and map actions need to achieve compliance with ASEAN requirements. TA support was also provided to the state-owned bank Banco Nacional Comercio de Timor Leste (BNCTL), to help strengthen the bank's corporate governance and risk management and establish a corporate strategy and governance structure. The impact of the TA was negatively affected by the political situation, which delayed the appointment of a chairman for the board of directors and slowed down the implementation of the strategic plan approved in 2017, which relied on a stable and healthy economy.

36. Financial sector development. The financial sector is progressing, as illustrated by the increasing base of bank accounts and loan owners. Efforts are being made to strengthen the legal and regulatory background of the sector, for example by introducing a new risk-sharing credit guarantee scheme for SMEs, new regulation for activities of microfinance institutions, and initiatives by the Central Bank to comply with international standards pertaining to anti-money laundering and countering the financing of terrorism. Critical constraints continue to impede its development. Three key challenges that need to be addressed are: expanding credit access requires addressing issues such as the weaknesses in the legal framework for land registration; improving the diversity of available financial products, starting with banking and subsequently basic capital market products; and strengthening the sector regulatory framework. Some progress can be reported, with the central bank – Banco Central de Timor-Leste (BCTL) – developing a National Financial Inclusion Strategy (NFIS) 2017–2022 which includes an action plan and timeline for the modernization of the payment system with the establishment of R-TIMOR, a national automated transfer system which connects the Central Bank to the Ministry of Finance's financial management system. ADB's support in the CPS period focused on improving availability and efficiency of financial services. A TA is currently supporting governance reforms at Timor-Leste's national commercial bank, BNCTL.⁴⁰ BNCTL is a state-owned entity and the only local bank, which represents the largest base of local customers, with 13 branches across all districts, around 311,000 deposit customers and 21,000 loan customers.⁴¹ Civil servants and social benefit recipients comprise approximately 70% of BNCTL's clients. ADB helped address governance issues that emerged after the restructuring, including weak separation between the Board of Directors and management, and gaps in shareholder supervision. Additional financing was used to strengthen BNCTL's audit and risk management functions. ADB supported the preparation of new by-laws for the bank that were approved in February 2019. The successful implementation of the by-laws helps create a living example of good corporate governance that will guide management of other SOEs in the country.

37. RCI. Fostering RCI is an important element of Timor-Leste's strategy towards building a more diversified and productive economy. The government has showed its determination to foster better integration within Southeast Asia and accession to ASEAN and World Trade Organization (WTO) is a political priority. Substantial efforts are still needed to achieve compliance with ASEAN membership requirements. The first TA, which deepened understanding of RCI and built government capacity, was rated *relevant*.⁴² The second TA, completed in June 2020, was designed to support Timor-Leste meet ASEAN requirements, through which an analytical report on the alignment of Timor-Leste's legal code with ASEAN's binding legal instruments was done and reform program to achieve compliance with binding and non-binding ASEAN requirements has been finalized.⁴³ Another TA supports Timor-Leste's progress in its application process to

⁴⁰ ADB. 2014. Timor-Leste: [Expansion of Financial Services](#)

⁴¹ Banco Nacional de Comercio de Timor-Leste. 2020. *Annual Report 2019*. Dili.

⁴² ADB. 2012. Timor-Leste: [Preparing for Regional Economic Integration](#)

⁴³ ADB. 2016. [Capacity for Regional Economic Integration](#)

ASEAN and WTO.⁴⁴ Strengthening relationship and cooperation with its geographic neighbors is also a focus area for the Government and is building on a regional TA which produced a scoping study on border cooperation opportunities.⁴⁵ Through a regional TA, ADB is now exploring opportunities to foster cross-border trade in livestock and tourism with West Timor (East Nusa Tenggara).⁴⁶

38. **ANR.** The sector of ANR was added during the implementation of the CPS and focused on developing the coffee and agroforestry sector. Coffee is Timor-Leste's largest non-oil merchandise export and is grown by over a third of households. It has a strong potential for being a vector of poverty reduction and private sector development and was identified by ADB as a key area for intervention. The sector suffers from low productivity and its development has been constrained by a lack of coordination and poor sector planning. TA support, in close consultation with both the public and private sectors, helped in preparing Timor-Leste's first National Coffee Sector Development Plan (NCSDP) and establishing the Timor Coffee Association (ACT), a private trade association which represents the interests of stakeholders at each stage of the coffee value chain. ADB subsequently supported a successful quality improvement program that helped to crowd-in new private investment and develop new market links, and implemented innovative behavioral change programs.⁴⁷ The TCR rated it as *highly relevant*, due its highly transformative potential and responsiveness to contextual changes. ADB also signed its first non-sovereign activity with a regional TA cluster to Olam International Limited which will support the capacity building of 6,500 smallholder coffee farmers that Olam sources from.⁴⁸ In 2020, ADB approved its first ANR project to Timor-Leste, funded by JFPR, which will support the implementation of the NCSDP and use innovative methods to deliver training to 2,000 coffee farming households. The intervention in the coffee sector aligns well with the objective of economic diversification and also successfully enhances the collaboration between public and private entities to develop the coffee sector. It also supported the diversification of the CPS portfolio. Following the COVID-19 crisis, ADB approved the COVID-19 Food Security Emergency Response grant. The Government also renewed its commitment through its Economic Recovery Plan to provide more extensive and better targeted support to agriculture and local production, in particular.

B. Effectiveness

39. **Overall effectiveness.** This section assesses the CPS targets defined by the results framework have for the most part not been achieved (Appendix APPENDIX 2). Both completed projects for which completion reports were prepared were rated *less than effective* by the subsequent VCR (Appendix APPENDIX 3, Table A3.1).⁴⁹ The six TAs closed during the CPS period and for which TCRs were prepared showed relatively good results, with three rated *effective or highly effective*, and three *less than effective*. The Road Network Upgrading and the DUWSSP were closed early during the CPS period and had most of their results carried over from the previous CPS. The on-going projects that are to close between 2021 and 2023 will likely achieve most outputs and the outcome, although with one or several extensions due to delays at

⁴⁴ ADB. 2020. Timor-Leste: [Capacity for Multilateral and Regional Economic Integration](#).

⁴⁵ ADB. 2017. Timor-Leste: [Implementing the Regional Cooperation and Integration Operational Plan](#) ADB.

⁴⁶ ADB. 2019. [Cross-Border Trade and Cooperation between Indonesia and Timor-Leste](#)

⁴⁷ ADB. 2016. Timor-Leste: [Support for Preparation of a National Coffee Sector Development Plan for Timor-Leste](#)

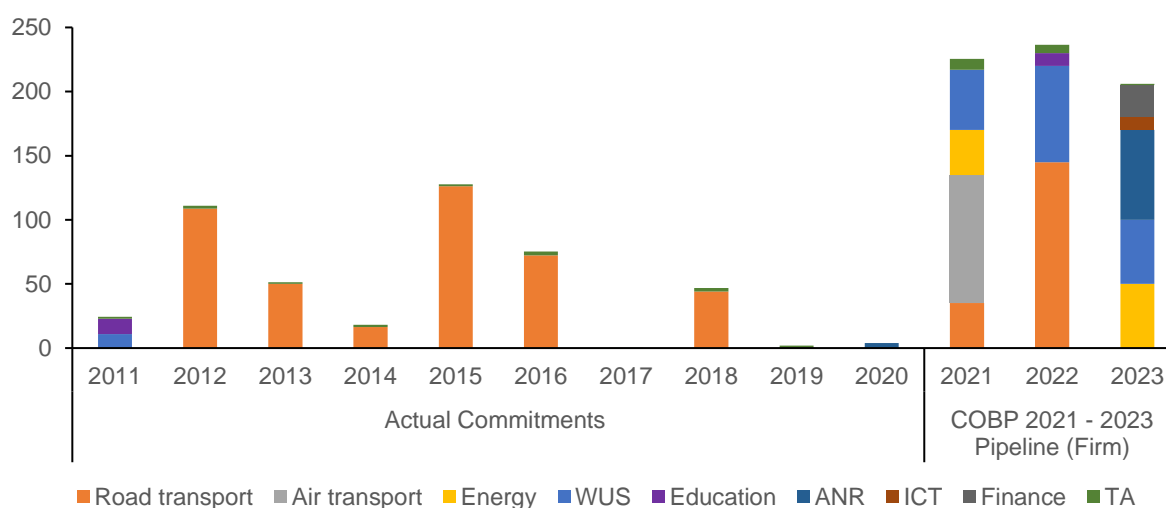
⁴⁸ ADB. 2017. [Olam International Limited: Inclusive, Sustainable, and Connected Coffee Value Chain \(Subproject 2\)](#)

⁴⁹ Independent Evaluation Department. 2019. Validation Report: Independent Evaluation Department. 2019. *Timor-Leste: Dili Urban Water Supply Sector Project*. Manila: ADB. and Independent Evaluation Department. 2019. Validation Report: Independent Evaluation Department. 2019. *Timor-Leste: Road Network Development Sector Project*. Manila: ADB.

the start or during implementation. **Overall, ADB activities during the CPS period are rated as effective in achieving intended outputs and outcomes.**

40. Including projects from previous CPS periods, seven projects were under implemented, including four from 2007–2010 and 2011–2015. As of September 2020, out of 11 projects proposed in the COBP 2016–2018 and COBP 2017–2019 pipelines, one has been implemented. One project proposed in the COBP 2020–2022 has been approved so far. The CPS results framework was not adjusted to reflect the postponing of a large number of projects, which impacted the achievement of the targets. Most on-going projects are expected to be completed between 2021–2023 and were considered sufficiently advanced to be preliminary assessed here.

Figure 8. Actual Commitment and Indicative Resources



Source: ADB Annual Reports and Timor-Leste COBP 2021–2023

41. **Road sector.** The road sector represents the largest share of the portfolio, with one closed and four on-going projects (Figure 8). ADB, thus, has a long relationship with MPW and well-established donor coordination through the common PMU. All roads project in Timor-Leste share the same challenges of difficult terrain, high climate impact which accelerates road degradation, and limited investments and capacity in maintenance. Effectiveness across most on-going projects has been impacted by a slowdown of public works, due to contracting, administrative and safeguard requirements issues such as contract extensions and processing of resettlement payments. Project implementation was slowed down by a lack of consultant supervision, reorganization of the PMU, and limited capacity in the Government. It appears that outcomes are on track to be completed despite the delays in implementation which required extensions.

42. **Completed projects in the road sector.** One road project, RNDSP, was closed during the period and four are on-going and towards completion. RNSDP conducted the rehabilitation of the Dili – Liquiça and Tibar – Gleno sections (Figure 9). It was rated as *less than effective* by the PCR and PVR, due to the non-achievement of some outputs and delays in the completing the project. The DMF included seven project outputs organized around road and border posts rehabilitation, road safety, training of private sector and implementing agencies, and climate proofing. The outcome was mostly achieved, with indicators focusing mostly on average travel time to basic services, although it should be noted that no database was available for project

at 4–9 hours and, as per ADB staff estimates, expected to fall to 2–3 hours by end-2022 when ongoing national road upgrades are completed.

44. **On-going projects in road sector, approved during the CPS.** Approved in November 2016, the Dili-Baucau Highway project (DBH) is partly funded by the Japan International Cooperation Agency (JICA), covering the section Dili-Manatuto and small part of Manatuto-Baucau road, while ADB funds and administers the main part of the coastline north east road between Manatuto and Baucau (56 km). The project is funded by a single loan (L3456) of \$49.65 million. The Baucau to Viqueque Highway Project (BVH) is a loan-funded project (L3643) of \$44.0 million, upgrading and climate proofing the eastern axis between Baucau and Viqueque (58 km). The project design includes two outputs focusing on building an improved and safe road and strengthening institutional strengthening and capacity building.

45. *RNUSP.* The project has one outcome centered around building a more reliable and safer road network which is expected to be achieved at the completion of the projects, four outputs are largely achieved or about to be achieved. Civil works for RNUSP under Loans 3020/3021 and Grant 0404 as defined in the original contract were completed in 2018 and 2019, respectively. Some minor repairing work is still ongoing and additional work that was not part of the original contract is required to construct a bridge (Lamara Bridge) to use savings from the loan. Civil works under Loans 3341/3342 were 70% complete in August 2020 and are expected to be completed on time in 2021. The road sections under this loan suffered significant delays, due to unsolved resettlement issues and lack of consultant supervision in the field since September 2019. The temporary supervision team assigned by the Government had very limited capacity. Civil works progress was slowed down by limited resources on the contractor's side. The progress on the road safety and transport-related social issues outputs is less clear. The creation of a National Road Safety Council and the formulation of National Road Safety Action Plan was to be support under the RNUSP but the change of government interrupted the process and the awareness campaign was not finalized. Several HIV awareness seminars were implemented under RNUSP. The implementation of the subprojects adopted a strategy to avoid and minimize resettlement impacts to the extent possible.

46. *RNUP.* The project has the same scope, outcome, and outputs as RNUSP. RNUP suffered from a lag in obtaining the environmental license which impacted onset of the project and project closing was postponed by a year. Civil works was completed for the loan 2857/2858 and at 90% for additional financing loan 3181. Civil work is still ongoing under the EU-funded Grant 0504 administered by ADB, which debuted in 2017. Original closing for the grant was revised from 2019 to 2020 and is expected to be further extended to allow completion of remaining civil works. Feasibility studies and detailed design for the future upgrading of a priority road (output 2) were completed in 2015, early on during project implementation. The performance-based maintenance contracts were started in 2020 for the completed sections of both projects. The exact number of local workers hired and percentage of women have not yet been determined.

47. *DBH.* The civil work of ADB's portion from Manatuto to Baucau section is expected to be completed by end of 2020. Lack of consultant supervision since July 2019 and the assignment of a temporary team with very limited capacity by the Government slowed down the completion of the project's administrative requirement, including the payments for resettlements, which in turn delayed the civil works. Social and environmental safeguards were monitored and showed adequate performance. Two separate resettlement plans were jointly prepared by JICA-financed project design consultants and the PMU and started implementation in July 2016, and resettlement plans were implemented before the start of the civil work.

48. **BVH.** The loan was approved in February 2018 but effectivity was delayed due to change of Government and a restructuring of the PMU under the new Minister. Although the resettlement plan had been finalized at the time of the signing, no action was taken on the plan and no compensations had been disbursed till mid-2020. MPW issued a notice to proceed to the contractor, although the resettlement issue nor the environmental license had been resolved. Consequently, contractors were fully mobilized by 2019, but the main civil work process could not begin, leading to escalating costs. The first output centered on road rehabilitation and climate-proofing is consequently suffering from significant delays, with civil works for Baucau to Venilale completed at only 10%, and Venilale to Viqueque at 12% till August 2020. ADB recommended extension of the loan 3643/3644 closing date to December 2025, to cover 12 months of DNP and 24 months performance-based management, following the completion of the work.

49. **WUS.** DUWSSP, which was approved in 2007 and closed in 2016, was rated *less than effective* by the PCR and PVR. Out of four outcome targets, one was partially achieved (improved water access for residents) and the other three were not. No GAP was prepared, and there was a lack of regular monitoring of the social and environmental safeguards. Implementation was also delayed by the contractor's low capacity. The DCWSP is expected to close in 2021. Civil work for the two municipality capitals of Manatuto and Pante Macassar was completed respectively in 2016 and 2017. The O&M contract for Manatuto was signed in late 2019 and will be implemented for two years. There will not be an O&M contract in Pante Macassar but instead technical support and training on basic O&M procedures will be provided. A total of 1015 households now have access to piped water in Manatuto, and 1574 households in Pante Macassar, achieving 98% of the output indicator of connecting 2,652 new households to the water network. It was estimated that environmental management and monitoring put in place for a project of this scale and magnitude was sufficient. Delays in awarding the O&M contract initially resulted in a lack of maintenance of water systems which had to be addressed. The monitoring and capacity development has generally proceeded in a satisfactory manner. A TA was open with the aim to support the DCWSP and developed an institutional reform plan to ensure the sustainability of the project.⁵¹ The scope and outputs had to be revised to reflect the change of political context. Although most outputs under the revised scope were realized, the outcome was not achieved as it was overly ambitious with an unrealistic timeframe. Despite establishing the institutional reform roadmap, it was assessed as *less than effective*.

Table 5. Summary of Achievement of Outcomes and Outputs by Sector

Sector/Program	Project outcome	Project output:
Road Transport		
RNDSP, completed	Likely to be achieved	Not achieved
RNUP (3 loans 1 grant), closing 2022	Likely to be achieved	Partially achieved
RNUSP, closing 2021	Likely to be achieved	Partially achieved
BVH, closing 2021	Not achieved and unlikely to be achieved if not extended	Not achieved and unlikely to be achieved if not extended
DBH, closing 2022	Likely to be achieved	Mostly achieved
Water and Urban Sanitation		
DCWSP (closing in 2021)	likely to be achieved	Partially achieved (1 output canceled due to budget constraints)
DUWSSP (completed)	1 partially achieved, 3 not achieved	Most output indicators only partially achieved
Education		

⁵¹ ADB. 2012. Timor-Leste: [Second District Capitals Water Supply Project](#)

MLSTP (completed)	achieved	9 out of 10 achieved (subject to review)
Agriculture		
Coffee and Agroforestry Livelihood project	Implementation just started	N/A

50. **Education.** The impact indicator for the MLSTP and 9 out of 10 (90%) output indicators were fully achieved. All 34 actions (100%) specified in GAP were fully implemented and 100% of the four quantitative targets achieved. Only one outcome indicator regarding the ratio of TVET graduates with mid-level training finding employment within 3 months of graduation was not achieved; it was considered overambitious. It should be noted that a lot of the outputs were already completed in the early stages of the CPS. The project suffered delays throughout the implementation and had to be extended twice, once to allow the completion of a training program, and a second time to allow the liquidation of the remaining funds. The associated TA was the first engagement with Timor-Leste’s Ministry of Education (MoE), and its outcome centered around improving MoE’s capacity to plan and strengthening the quality of technical secondary education. A total of 10 output indicators out of 15 were achieved, while two were partially achieved. The design included a pilot program aimed at converting a general secondary school to a quality technical secondary school with competency-based training standards, but this could not be implemented due to lack of funding, with the TA budget being insufficient and the Government not being able to mobilize the required funds.

51. **ANR.** The JFPR grant project was approved in May 2020 and is too early to assess the progress on outcomes and outputs. The TA supporting the preparation of the NCSDP was rated *highly effective*, all outputs and outcomes were either met or exceeded. The COVID-19 Food Security Emergency Response grant (approved in June 2020) has been appreciated by the government because of its focus to quickly support local farmers and vulnerable populations.

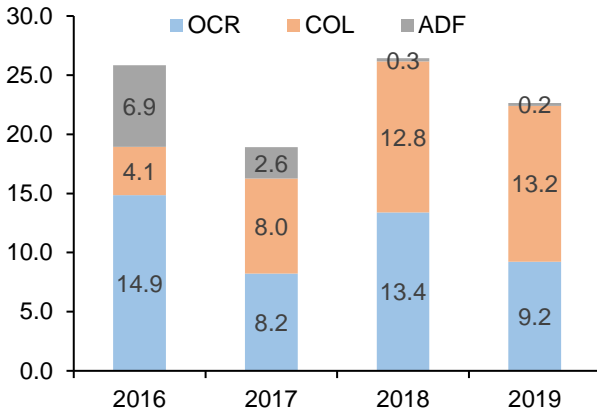
52. **CPS Results Framework outcomes.** On-going project results frameworks and the CPS results frameworks were not systematically adjusted to reflect new targets during review missions, and outputs have sometimes gone beyond the scope of the project or CPS.

C. Efficiency

53. **Overall Efficiency.** There were major implementation delays in most investment projects and TAs completed during the CPS period. Economic rates of return on completed projects were lower than original forecast for the reviewed projects, and the contract award ratio and annual disbursement ratios recorded irregular trends, although usually above FCAS average. TA activities also showed significant delays. On-going projects appear to show improvement, with more limited implementation delays. A large part of the delays can be linked to the lack of capacity for contract processing and project implementation, and TA support to strengthen institutional capacity on social and environmental safeguards is likely to help reduce implementation delays in future. Difficulties in recruitment of consultants was also experienced. Additionally, political changes and changes in policy decisions sometimes led to change in the scope of projects, which could have been anticipated. Project delays have sometimes impacted TA projects with linked activities. Of the completed projects, delays and cost increases meant that not all subprojects designed at appraisal could be implemented for two investment projects and one TA. Delays were incurred in all projects and there were time extensions undertaken. **Overall, ADB operations during the CPS are rated as less than efficient.**

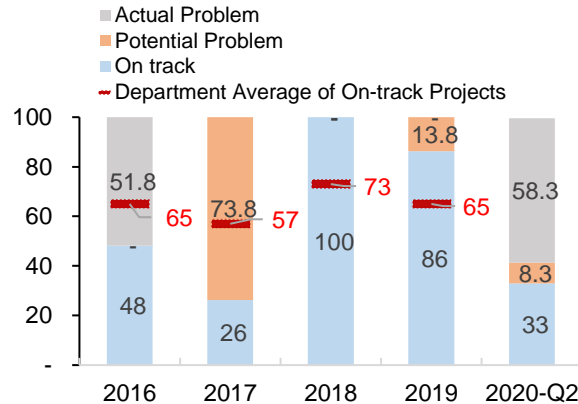
54. **Net resource transfers.** The level of net resource transfer was severely impacted during the CPS period by the political context in 2017–2018 and 2019–2020, due to the change of Government and delayed passing of the budget, which in turn delayed loans processing as the budget required approval by Parliament (Figure Figure 10).

Figure 10. Net Resource Transfers
(\$ million)



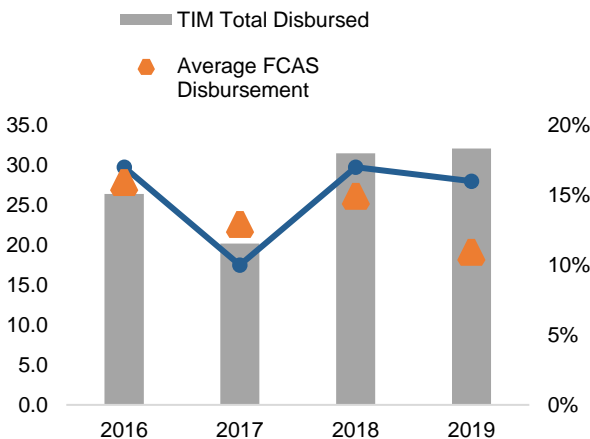
Source: ADB Annual Report

Figure 11. Portfolio rating
(% of project value)



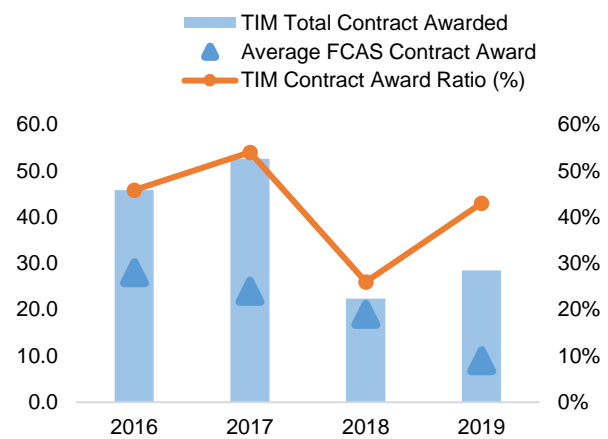
Source: ADB Annual Portfolio Performance Report
Note: Department comparison with PARD in 2016–2018 and with SERD in 2019

Figure 12. Disbursement during 2016–2020
(\$ million / %)



Source: ADB Annual Portfolio Performance Report

Figure 13. Contract Award during 2016–2020
(\$ million / %)



Source: ADB Annual Portfolio Performance Report

55. **Country Portfolio Performance.** Performance ratings are average. Two projects were rated as problematic (Figure 11). Issues related to contract awards and disbursement ratios arose again in 2020 (Figure 12 and Figure 13). Two projects faced potential problems in 2017 and one in 2019, related again to low disbursement ratios, although contract awards ratios remained above FCAS average levels during those years. In 2016 and 2018, total contract awarded fell way below the average FCAS level. Disbursement ratios have been lower than expected mainly due to delays in processing contractors' payments in the road projects. Issues related to resettlements have prevented any contract award in 2020. Timor-Leste portfolio's performance was irregular, falling under the average performance of the department in 2016 and 2017, but with improvements in 2018 and 2019 (Figure 11).

56. **Implementation delays.** All ADB loans, grants and TAs (excluding regional TAs) closed during the CPS period were extended at least once. Loans and grants projects closed with an average delay of 35 months (see Appendix APPENDIX 3, Table A3.1), while TA projects (excluding regional TAs) suffered delay averaging 22 months between original and revised closing dates. Extensions were undertaken to allow for projects to complete outcomes. Among investment projects, the RNUS project's late closing was in part due to delay in obtaining the environmental license which had impacted the start of project implementation. Interruption of advisors' contracts in the road PMU after the elections had repercussions on project implementation and report submissions, including safeguard monitoring reports, which testifies to the lack of integration of the PMUs in the Government as they are often staffed with consultants. Delays were also caused by changes in project scopes brought by new political decisions. Recruitment of consultants has also been a source of lags in TA and investment projects which could be limited by inclusion of anticipation regarding the issue. Delays have been reduced over the CPS period from 35 months for closed investment projects to 10 months for on-going projects and 22 months for closed TA projects to 12 months for on-going TA projects.

57. **Economic internal rate of return.** For completed projects, the economic internal rate of return (EIRR) shows average results. Of the two projects for which completion reports were prepared, the transport project compared well to the expected EIRR on one of the segments (15% for a planned 19%) due to unanticipated growth in road traffic which made up for the unexpectedly high cost of constructions. The other segment showed low economic performance as costs of climate-proofing is much higher than the forecast at 9% EIRR instead of the expected 13%. The WUS project was difficult to estimate due to lack of data regarding O&M costs and water distribution volumes but is likely to be far from the EIRR target and was not economically viable (10% EIRR instead of 20.2%). The PCR for the education has not been completed, but preliminary assessment shows EIRR is far beyond expectations, with actual enrollment and graduation figures much higher than projected above the objectives, which increased the project benefits significantly.

58. **Projects Efficiency Ratings.** Of the two PCRs produced during the period, one was assessed as *less than efficient* (WUS), and one as *efficient* (transport). Among the four TCRs produced, three reported the TA to be *efficient* (transport, RCI, and ANR), and one *less than efficient* (WUS). The less than efficient ratings were related to acute delays in implementation (over 62 months for the investment project and 37 months for the TA) and with the EIRR being below expectations at project appraisal.

D. Sustainability

59. **Overall sustainability.** This section assesses the likelihood and risks related to the sustainability of the activities implemented under the CPS period. It relates to the level of commitment and ownership of the different projects by the Government, and whether the requirements for human capacity and investment in O&M are sufficiently met to allow the project results to sustain. Despite generally high levels of Government ownership and commitment of the different projects, ADB intervention for this period in the transport and WUS sectors is rated as *less than likely sustainable*, due to concerns of insufficient investments in O&M resources, which pose a serious threat to the entire completed and ongoing infrastructure portfolio. The persistent inadequacy of financial resources and lack of human capacity for O&M is a significant source of risk to the sustainability of all infrastructure projects, especially considering the share of investment in public infrastructure (transport, electricity, and WUS). Support in other sectors is assessed as likely sustainable, given that most TA reviewed under the period showed outcomes

and outputs assessed as *likely to be sustainable*. This was the result of strong level of political ownership in the targeted sectors, and important efforts put in human capacity development, including in project management and implementation, infrastructure management, planning and managerial capacity in the education sector, as well as support to different strategic plans and policy reforms. A summary on the assessment is in Table 6. **However, considering the share of the portfolio allocated to infrastructure, and in particular transport, the overall intervention over the period as assessed as less than likely to be sustainable.**

Table 6. Sector-wise Summary on Sustainability

Sector	PCR	TCR	On-going projects	On-going TAs	Assessment
Transport	1	1	4	1	<i>Less than likely sustainable</i>
Water and Other Urban Services	1	2	1	-	<i>Likely Sustainable</i>
Education	-	-	-	-	<i>Likely sustainable</i>
Public Sector Management	-	2	-	4	<i>Likely sustainable</i>
Finance	-	-	-	1	<i>Likely sustainable</i>
RCI	-	1	-	1	<i>Most likely sustainable</i>
ANR	-	1	1	-	<i>Likely sustainable</i>
Energy	-	-	-	1	-

Note: TA excludes Regional TA

Source: Project and TA completion reports and ADB staff assessments

60. **Transport sector.** ADB's support to the transport sector during the CPS period is assessed to be *less than likely sustainable*. The RNDSP completed during the period was rated as *less than likely sustainable* by the PCR validation report. Although it had been planned for the Directorate of Roads, Bridges and Flood Control (DRBFC) to take over responsibility for the implementation of the road maintenance program, the newly rehabilitated roads required immediate fixing and the budget allocated for O&M capacity building were diverted to these improvements. The grant covenant related to O&M was only partially complied with and the PCR assessed that the current annual budget for road maintenance remained below 20% of the required level. Although the road maintenance plan and operations manual were prepared by a consultant, but less maintenance work was undertaken than planned due to high preparatory costs. The cost of climate-proofing was also underestimated during the project preparation and led to a significant reduction in the length of climate-proofed road. On-going projects have incorporated some of the previous lessons learned, such as the need to start routine maintenance immediately as a measure to protect the project's investment on road improvements. This was done through the inclusion of two years of post-construction O&M into its road investment projects, but government funding for road maintenance continues to be far below requirements. A recommendation to start a dialogue between the government and development partners on a national road maintenance plan that is to be funded on a cost-sharing basis was included in the Government's 2018 Transport Masterplan. In consultation with World Bank, JICA and Australia, ADB has initiated a dialogue with the Government on the establishment of a road fund initiative for maintenance and the Government is currently discussing internally the organizational structure of the proposed fund. ADB The outputs and outcomes produced under the TA supporting the Preliminary Assessment for the Dili Airport runway upgrade were assessed as *likely sustainable*, due to the high level of political ownership in the project.⁵²

61. **WUS sector.** ADB support to the WUS sector is assessed as *likely sustainable*. The project completed during the period was rated *unlikely sustainable* by the PCR and PCR

⁵² ADB. 2018. Timor-Leste: [Preliminary Assessment for Dili Airport Runway Upgrading Project](#)

validation. It was assessed as not viable economically due to significant water losses and high levels of water that are not paid for. Furthermore, the absence of a regular O&M program also threatened the sustainability of the improved network, and the PCR reported its decline. The report highlighted that sustainability of WUS initiatives rely on all-encompassing approach, with an integrated package including both institutional reforms and restructuring of the operating mode. These lessons were integrated in the DCWSSP, which includes a two-year O&M contract with strong focus on capacity building. Resources were also allocated to several TAs to carry the effort to improve sustainability of the WUS infrastructure activities TA support for the preparation of the District Capital Water Supply Sector project originally aimed to conduct an assessment for a PPP arrangement and identify delivery models reflecting the government's move towards decentralization. However, a shift of political decision towards a centralized model and emerging needs in the DCWSSP project required for the TA to take a more adaptive and flexible implementation leading to a change in the outputs, which re-focused on providing additional support to DNSA; strategic sector policy, planning and budgeting support to senior level officials in MPW; and assistance in implementation of O&M contracts.⁵³ It was rated as *likely to be sustainable*. The project highlighted the need to integrate institutional and capacity building aspects to all projects. A TA supporting water sector management was also rated as *likely to be sustainable* as it supported the government's sector reforms. In addition, TA for water and sanitation has helped to strengthen the foundation of the sector. ADB supported the development of the national public water supply policy and the national water resources management policy, both approved in 2020. The SOE Bee Timor-Leste I.P. and the regulatory agency National Authority for Water Supply and Sanitation were established in 2020 with support from ADB for the provision of water supply and sanitation services for the whole country.

62. **Education sector.** ADB support to the education sector is assessed as *likely sustainable*. Preliminary results show the project implemented in the education sector and its related TA to be *likely sustainable*. The TA stressed the importance of policy development, skills assessment, and curriculum development for MOE officials, schoolteachers, and school administrators. The current Government expressed its commitment towards reinforcing the TVET sector which is demonstrated by the high financial commitments by the Government to support training centers and the updated Education Sector Plan 2020–2024 which includes revised objectives for vocational and technical training and costings till 2023 aligned to the TA recommendations.

63. **PSM.** The review assesses ADB's support to the PSM as *likely sustainable*. Several ongoing TAs are addressing issues related to public financial management and economic analysis capacity. Economics training was delivered to selected staff of the Ministry of Finance. However, the sustainability of the outputs to support fiscal reforms appear somewhat mitigated after dissolution of the Fiscal Reform Commission (FRC) although the Government has announced it would continue implementation of reforms initiated by the FRC. PFM and fiscal reforms is one of the main three reform programs of the current government. Two TAs supporting management in the public sector were closed and reviewed during the period, both considered *likely to be sustainable*.⁵⁴ The first provided support for senior and mid-level management staff through in-house task focused activities and led to significant performance progress. The second TA included activities to strengthen institutional capacity to manage the infrastructure vital for better water services delivery and supported key activities for the government's sector reforms, such as the development of a water sector institutional reform roadmap.

⁵³ ADB. 2012. Timor-Leste: [Strengthening Water Sector Management and Service Delivery](#)

⁵⁴ ADB. 2012. Timor-Leste: [Infrastructure Management](#) and
ADB. 2012. Timor-Leste: [Strengthening Water Sector Management and Service Delivery](#)

64. **Finance sector.** The support provided to the finance sector is assessed as *likely sustainable*. An on-going TA has been supporting the commercial transformation of BNCTL helped address governance issues that emerged after its restructuring. Activities included the development of new by-laws to support good corporate governance and the strengthening of BNCTL's audit and risk management function. The COVID-19 pandemic has disrupted the capacity building programs and the next phase of finance sector operations should focus on capacity building and developing basic legal and regulatory infrastructure for banking and subsequently capital market.

65. **RCI.** The support provided to RCI during the period is assessed as *most likely sustainable*. A TA closed during the period was reviewed as *sustainable*, given the high level of government participation and the strong political commitment for regional integration.⁵⁵ Accessing ASEAN and WTO memberships continues to be a central priority for the Government and subsequent TAs are likely to also be rated sustainable. Similarly, activities related to cross-border trade integration have received strong support from both Indonesia and Timor-Leste and are assessed as *sustainable*.⁵⁶

66. **ANR.** ADB support to the ANR sector is assessed as *likely sustainable*. The outputs and outcomes completed under the agricultural sector TA are rated as *likely to be sustainable*.⁵⁷ There is high potential for Timor-Leste to enhance the volume and quality of its coffee. The NCSDP produced under the TA includes a clear implementation mechanism. Development of the coffee sector is a priority of the Government and approval of the Coffee and Agroforestry Livelihood Improvement Project will help support initial implementation of the NCSDP and the continued development of ACT as a well-governed trade association. This project builds on previous initiatives and incorporates lessons learned from projects in the coffee sector by ADB and other partners. The support provided through a regional TA to Olam International Limited includes the delivery of training on financial literacy to 6,500 farmers, and training on farmer-to-farmer practice exchanges to 6,500 individuals.⁵⁸

E. Development impact

67. **Overall Development Impact.** This section assesses the long-term impact to which the CPS contributed, considering the intended impacts. The strategy was aligned with the Government's development objectives and although most of the SDP targets for 2020 were not achieved, ADB contributed positively to the advancement towards these targets. The development impact of ADB activities was limited by the postponement of loan projects in education, water and sanitation and energy, although important preparation work was done through several TAs. Despite the scaling up of the program, net resource transfers, which amounted to an average of \$7.3 million per year during 2016–2019, were low compared to other development partners, with Australia, Japan, and Portugal disbursing an average of \$55.3 million, \$23.8 million and \$15.5 million, respectively. It was also low compared to the size of the State Budget, which averaged \$1.7 billion in the same period.⁵⁹ The slow expansion of ADB activities to new sectors has also been strongly impacted by the political context. Nevertheless, most on-going projects are well advanced and likely to have significant development impacts in peoples'

⁵⁵ ADB. 2012. Timor-Leste: [Preparing for Regional Economic Integration](#)

⁵⁶ ADB. 2019. [Cross-Border Trade and Cooperation between Indonesia and Timor-Leste Agriculture](#) and ADB. 2017. [Implementing the Regional Cooperation and Integration](#)

⁵⁷ ADB. 2016. Timor-Leste: [Support for Preparation of a National Coffee Sector Development Plan for Timor-Leste](#)

⁵⁸ ADB. 2017. [Olam International Limited: Inclusive, Sustainable, and Connected Coffee Value Chain \(Subproject 2\)](#)

⁵⁹ Data on development partners disbursements was accessed from the Aid Transparency Portal on 10 November 2020.

access to basic infrastructure. Improvement of connectivity through road rehabilitation in several municipalities and access to water for two new municipality capitals strongly contributes towards the achievement of all Strategy 2030 operational priorities in Timor-Leste, in particular OP1, OP2, OP3, and OP4. Another significant impact was in the sector of public management and governance, with important reforms or preparatory work towards the legal framework in the areas of infrastructure management, finance, fiscal sustainability, trade and regional integration, along with significant efforts of capacity building, which will support progress towards OP6. ADB's initial impact on private sector development has been preliminary but promising, both through support to coffee activities and regional integration, in alignment with OP1 and OP7. Of the two projects closed during the CPS period, one was assessed to have satisfactory development impact and one less than satisfactory. Out of six stand-alone TAs, five were assessed to have satisfactory development. Preliminary assessment of ongoing operations points to *potentially satisfactory* development impacts of the current portfolio, given its relevance and alignment with the government's development objective. **Overall, the development impacts of ADB's support to Timor-Leste during the CPS period is assessed as satisfactory.**

68. **National development goals.** The CPS 2016–2020 identified the development impact indicators as: (i) poverty eradication by 2030 from 35% of the population living below \$1.25 a day at 2005 PPP in 2007, (ii) an average growth rate of GDP per capita at 6.4% per annum from 2016 to 2030, (iii) Achieve 127% gross enrollment in secondary education by 2030 from 61% in 2014 and (iv) full ASEAN membership by 2020.

69. *Poverty.* The latest published data shows improvement in poverty levels between 2007 and 2014, with the proportion of citizens living below the national poverty line falling from 50.4% to 41.8%. The share of citizens with incomes below the internationally comparable poverty line of \$1.90 per day (adjusted for purchasing power parity) declined more rapidly, falling from 47.2% to 30.3%. The poverty gap, which measures the severity of poverty, also declined. Although the absolute number of poor is higher in Dili than in other municipalities, poverty remains higher in rural areas with 47.1% of rural residents were living in poverty in 2014, compared to 28.3% of urban residents. There has been no nationally representative household survey since 2014. However, considering the stagnation of GDP per capita and the absence of any major reforms in social protection, it appears likely that there has been little or no progress on poverty reduction. The World Bank's gender-sensitive poverty mapping at the village level, using 2014 data, finds greater variation of poverty levels between villages than between regions. A subsequent study produced poverty and welfare estimates at the sub-district level, using satellite imagery data, and confirmed the finding of large and persistent sub-districts variation of poverty and welfare.⁶⁰ Timor-Leste continues to struggle with malnutrition, and was ranked second-to-last among 107 countries in the 2020 Global Hunger Index, with "alarming" levels of hunger and a situation worsening in recent years, which also confirms the limited progress in recent years.

70. *Growth rate.* Average growth rate during the period were low on average, with -2.6 and -0.5% in 2017 and 2018, respectively, brought by a drop in public spending. The 2019 GDP growth went up to 1.8% but the 2019–2020 political impasse which led to a rejection of the 2020 budget, followed by the COVID-19 pandemic has resulted in forecast of -6% growth in 2020.

71. *Gross enrollment in secondary education.* Net enrollment in secondary education has increased from 28.8% in 2015 to 38.2% in 2018. It remains below the target of the National Education Strategic Plan with 71,548 students enrolled in grade 10 to 12 in 2019, against an

⁶⁰ Purnamasari, R, Wirapati, B.A., Alatas, H., Nasiir, M. (World Bank). 2020. *Estimating Small Area Poverty and Welfare Indicators in Timor-Leste using Satellite Imagery Data*. Washington D.C.

objective of 78,000 by 2015. Teachers skills have also been improving and 77% of teachers (including 29% of females) now meet the national qualification standard of having graduated from college or university. Timor-Leste is on track to complete its 2030 target although testing show that challenges related to the quality of teaching and learning remain.

72. **ASEAN membership.** ASEAN full membership by 2020 was not achieved. Timor-Leste remains strongly committed to ASEAN accession, but progress in strengthening the policies and institutions that manage trade has been slower than expected. ASEAN's decision to field three fact-finding missions to assess Timor-Leste's readiness for accession has prompted efforts to clarify trade policy objectives through development of a trade policy statement and training of government officials on trade policy and trade negotiation. Trade integration will be a major undertaking and will require sustained capacity development support.

73. **Development goals and CPS strategic objectives** The CPS identified three strategic objectives (i) More inclusive and sustainable growth, (ii) Improved human capital, and (iii) A more diversified and productive economy, related to 9 priority areas.

(i) More inclusive and sustainable growth.

74. Non-oil GDP growth has been driven by trends in public spending, but sustainable and inclusive growth requires a multisectoral intervention, and is a central theme of ADB CPS 2016–2020, and its ensuing extension to 2022, with the totality of investment and TA projects implemented during the period contributing to inclusive growth (Figure on p.8). ADB contribution to OP1 is constrained by narrow focus of the past portfolio and limited resource transfers during the period, which made it difficult to meet the investment needs to have a strong impact on poverty reduction. Nevertheless, some key contributions are noteworthy in the areas of road access and connectivity, public sector management reform for fiscal sustainability.

75. **Inclusive and sustainable infrastructure services.** The CPS identified the lack of access to inclusive and sustainable infrastructure services as a key constraint to more inclusive and sustainable growth. As a response, ADB reinforced its road transport portfolio, and two new loan projects were approved. A total of 336km of road national roads have been rehabilitated or upgraded since 2016, of which 205km were financed by ADB. The completion report of the RNUS project reported a sharp increase in road traffic on the improved segment. By supporting improvements in government capacity to deliver infrastructure services more effectively and efficiently and manage infrastructure project, ADB contributed to strengthening the foundations for future infrastructure projects. The inclusion of air transport connectivity and preliminary work on the project opens opportunities in the future for improving movement of goods and people.

76. The impact of the intervention in the energy sector is at this stage still preliminary, as no project was implemented during the period. Nevertheless, important preparatory work was done through TA and a future project was approved to refurbish the existing, outdated system, which will contribute to improve coverage and reliability of electricity services and contribute to fiscal sustainability by decreasing losses and costs. Population with access to electricity was at 85.6% in 2018.⁶¹

77. **Leveraging private sector expertise.** Since 2016, two pilot performance-based maintenance contracts for routine maintenance works were awarded to a national contractor after the completion of RNDSP, which together cover 32 km. Although this represents an initial

⁶¹ World Bank. [World Development Indicators](#) (accessed on 14 October 2020)

progress, it falls way short of the target of 800 km to be covered by an O&M contract in CPS monitoring framework. Efforts will have to be sharply stepped up to have the private sector involved in road maintenance. ADB supported the production of a national road network strategy and plan which includes a 20-year O&M strategy and a concept design for the creation of donor-supported 10-year road O&M program. The target of establishing three PPP transactions for infrastructure services by 2020 was also not achieved but preparatory work was done in the sectors of water, urban waste, and electricity, as a first step towards future PPP projects.

78. **Long-term fiscal sustainability.** The impact of ADB activities on fiscal sustainability during the period is related mostly to infrastructure management activities. There was limited progress in metering and reduction of losses in the electricity sector, for which no project has yet been approved, and in the reduction of unaccounted water in Dili, for which the project has had very limited impact. However, efforts related to the improvement of infrastructure management and governance, including the establishment of two SOEs for electricity and water services and the proposed O&M strategy under the Transport Plan will have significant impact on long-term fiscal sustainability. The fiscal reform efforts led by the Ministry of Finance, and which was supported by several TA, are also expected to strengthen fiscal sustainability.⁶² Additional support will be provided to improving public expenditure and fiscal management under the COBP 2021–2023.⁶³

79. **Environmental sustainability.** Climate resilience is now incorporated in all ADB supported project designs. The GEF grant of \$4.5 million was integrated in the RNUSP for specifically targeting climate-proofed infrastructure. All on-going road projects include climate-proofing in their design. Bio-engineering methods were tested on different sections of the road under the RNUS, such as slope stabilization, soil reinforcement, and improve culvert structure, and showed positive results.⁶⁴ There was limited progress in the use of renewable energy resources and clean fuels, and despite small Government investment in solar lighting systems for remote areas, the share of electricity generated by non-diesel source remains minimal.

(ii) Improved human capital

80. The impact of ADB intervention for improved human capital has been positive. Significant improvement in access to basic services and improving education outcomes in targeted areas has contributed to OP1 and OP2, with secondary education and water and sanitation identified as key sectors to support gender equality actions. The impact was more limited than planned due to the postponing of two loan projects in education and WUS, which would have scaled-up the impact significantly on account of the completed and on-going projects. Both WUS and education TA contributed positively to capacity and governance their respective sectors.

81. **Technical Education.** The impact in the education sector is related to ADB activities supporting the improvement of the technical secondary education system through a multi-faceted intervention, which addressed issues related to infrastructure, quality of teaching, and management of education institutions. Although the PCR of the secondary education project completed in the CPS period is not yet available, the preliminary assessment suggests impact has been satisfactory. An attached TA supported the development of a strategy to expand technical education and plans to ensure close labor market linkages, which will be key for future

⁶² ADB. 2018. Timor-Leste: Support for Achieving the Strategic Development Plan 2011-2030 and the Sustainable Development Goals and ADB. 2016. Timor-Leste: Fiscal Policy for Improved Service Delivery.

⁶³ ADB. 2020. *Country Operations Business Plan: Timor-Leste – 2021-2023*. Manila.

⁶⁴ ADB. 2018. *Timor-Leste Transport Operations*. Manila.

developments. The TA assessment shows success in providing substantial inputs for the updated Education Sector Plan 2020–2024. However, the conduct of a pilot program which aimed at converting at least one general secondary school into a technical school in alignment with competency-based training standards could not be implemented due the Government’s inability to mobilize the required budget. This was a missed opportunity, which could have provided ground for capacity building activities and future scaling-up of the activities. The overall impact of ADB in the sector was diminished by the delay in secondary education project. The project is now listed as firm for 2022 in the COBP 2021–2023.

82. **Urban water supply and other services.** The impact of ADB activities during the period to improve access to clean water and sanitation has been limited in term of infrastructure development. The WUS project’s impact was rated *Unsatisfactory*. The on-going DCWSSP, on the other hand, had successful results, with projects in two municipalities completed. Importantly, ADB activities in the WUS brought attention to a sector that was previously largely underfunded compared to transport and energy infrastructure and triggered policy dialogue with the government. A key achievement of this project was the successful implementation of the O&M contract in Manatuto, which built local capacity through training and procedures and development of manuals. Support from TA projects however, is likely to have long-term impact, due to the emphasis on capacity building, production of knowledge, and institutional strengthening. This included the identification of sustainable financing mechanisms and feasibility assessments for high priority water supply investments and options for improving access to clean water for Dili and selected municipality capitals, so as to develop appropriate strategies for future projects, support to national policies for public water supply and water resource management, the preparation of water supply and sanitation masterplans for six municipal capitals, and the production of detail engineering design ready for 4 municipal capitals and Dili. Considering the Government’s decision to diversify its loan portfolio and open the door to loan financing for the water network improvement, this preliminary work is likely to have an important impact in the future.

(iii) More diversified and productive economy.

83. Addressing poverty and reducing inequality (OP1) and accelerating Timor-Leste’s regional integration (OP7) require significant progress in diversifying the economy and creating jobs. ADB activities had a significant impact on fostering improvement in the areas of regional trade, supporting the improvement of the legal framework to facilitate regional and trade integration, and strengthening the productivity and governance in the coffee sector, identified as one of the most promising sectors for private sector development.

84. **Business-enabling environment.** Timor-Leste’s efforts at developing a stronger business-enabling environment have had limited results over the period. Some progress can be reported, such as the passing of a revised Private Investment law in 2017. Progress on the legal and regulatory framework for private investment, production and trade was supported by ADB activities which supported the analysis of Timor-Leste’s existing policy and regulatory frameworks and mapping of the actions needed to achieve compliance with ASEAN requirements.

85. **Finance sector development.** ADB’s support under the CPS period has focused on improving availability and efficiency of financial services by supporting governance reforms at BNCTL.⁶⁵ ADB supported the implementation of a commercial strategy development, and the implementation of a new core banking technology platform in October 2017 adapted to the

⁶⁵ ADB. 2014. Timor-Leste: [Expansion of Financial Services](#)

Timorese context and increasing the access to financial services for the population. Additional financing was used to strengthen BNCTL’s audit and risk management functions. ADB also helped prepare new by-laws in 2019 which will guide management of other SOEs in the country. Nevertheless, the sector development was limited. The ratio of bank credit to the private sector stagnated, moving from 12.6% in 2013 to 13% in 2018, far behind the target of 70 % by 2025. The share of adult population with at least a deposit bank account was estimated 62% in 2018, an improvement from the 2013 baseline of 16.6%, but there was no further progress between the 2016 and 2018 Financial Inclusion reports.⁶⁶

86. **RCI.** Fostering RCI is an important element of Timor-Leste’s strategy towards building a more diversified and productive economy. Annual average FDI remains far below the target of \$50 million per year during 2016–2019. The Government has showed its determination to foster better integration within the Southeast Asia region and is making access to ASEAN and WTO memberships a political priority. ADB has supported the endeavors but substantial efforts are needed in both directions.⁶⁷ Strengthening relationship and cooperation with its geographic neighbors is also a focus area for the Government and progress has been done in the area of border cooperation opportunities and in the efforts to create an enabling environment and foster cross border trade between Timor-Leste and West-Timor (East Nusa Tenggara).⁶⁸

87. **ANR.** ADB’s contribution to the agriculture sector has been significant and promising, given the limited resources originally committed. The coffee sector offers large potential, with the possibility to increase both quality and productivity. The impact of the NCSDP will be reinforced by approval of the JFPR grant project. Support provided to ACT and subsequent approval of Timor-Leste’s first non-sovereign operation through Olam is a significant contribution to private sector development and will facilitate the integration of Timorese coffee in international supply chains.

Table 7. Links between Sector Focus and the Strategy 2030 Vision

Sector	Project	Operational Priority
Transport	Road Network Upgrading Project	OP1, OP2, OP3, OP6
	Road Network Upgrading Sector Project	
	Dili To Baucau Highway Project	
	Baucau To Viqueque Highway Project	
	Road Network Development Sector Project	
Water and Urban Sanitation	Dili Urban Water Supply Sector Project	OP1, OP2, OP4, OP6
	District Capitals Water Supply Project	
ANR	Coffee And Agroforestry Livelihood	OP1, OP2, OP5, OP6
	Covid-19 Food Security Emergency Response	
Education	Mid-Level Skills Training Project	OP1, OP2, OP6

88. **Impact of completed projects.** The RDNS project’s impact was rated *Satisfactory* by the PCR and its validation, with initial assessments indicating that communities are now more mobile due to an increase in the availability of public transport on improved roads and reduction in travel time. This is likely to bring new opportunities to communities to diversify their income sources and increase earnings and create new business opportunities such as roadside kiosks. Post-completion survey established that the additional earnings were used to pay children’s school fees, meet family needs, and pay off credits.

⁶⁶ Central Bank of Timor-Leste. 2019. *Financial Inclusion Report 2018*. Dili

⁶⁷ ADB. 2016. Timor-Leste: [Capacity for Regional Economic Integration](#)

⁶⁸ ADB. 2019. [Cross-Border Trade and Cooperation between Indonesia and Timor-Leste](#)

89. **Knowledge.** Strategy 2030 emphasizes that ADB’s continued relevance will increasingly depend on its role as a knowledge institution. The CPS identified practical actions to better integrate knowledge into the operations by building links with non-state actors, strengthening knowledge coordination, getting better access to international experience, and improving the dissemination, monitoring, and evaluation of knowledge support. Knowledge was consistently used as a tool for accelerating progress against the strategy objectives and covered 25% of the investment projects, and 75% of the TA implemented during 2016–2020. TAs were systematically attached to each loan package and regional TAs facilitated sharing of international experience. The original CPS 2016–2020, for the first time, included a knowledge plan highlighting knowledge gaps at the sectoral level, in particular on fiscal reform, cross border cooperation and integration, environmental protection, and infrastructure maintenance for which trainings and workshops were held. A list of all knowledge products, including publications, briefs, and public conferences, is in Appendix APPENDIX 4.

90. **Private sector development.** Strategy 2030 emphasizes increasing private sector operations to support the seven operational priorities and targets ADB’s private sector operations to reach one-third of total operations in number by 2024. Timor-Leste progress in term of private sector development was limited, in part due to the economic contraction in 2017, 2018 and 2020, which constrains opportunities for ADB support. The country’s rank in the *2020 Doing Business* report for “ease of doing business” fell to 181 in 2020 from 173 in 2016. All major constraints identified in the CPS, i.e. poor connectivity, skills gap, and limited access to finance, were considered through the various TAs. ADB also assessed innovative approaches for possible engagement in non-traditional sectors where there could be catalytic impact while being mindful of risks. ADB’s targeted knowledge solutions to provide policy advice on economic diversification, particularly in the coffee sector, was noteworthy, resulting in its first non-sovereign sector operation in 2017, as part of a multi-countries program, to fund coffee processing equipment and permanent working capital along with a TA for training on improved production and climate-smart agriculture to households.⁶⁹ Other assistance includes PPP development with the provision of TA in the country’s first PPP concession. ADB has also supported the financial sector which is largely underdeveloped, through the BNTL TA. A review of the legal system is on-going under the ASEAN membership process and will be key to developing a more business-enabling context. Finally, projects related to education and road transports included elements of workforce skill development and private sector capacity building, as skills shortage was identified as a key barrier to private sector development. The experience provides direction for the next CPS.

91. **Governance and capacity development.** Governance and capacity development were covered by 80% of the investment projects and 85% of TA projects. Strengthening governance and institutional capacity is one of the operational priorities under Strategy 2030. ADB support to governance revolves around accountability, participation, predictability, and transparency. The four elements were provided through infrastructure projects, one education project, and standalone TAs in finance and governance. In the area of infrastructure management, activities included training and manuals for DRBFC, and guidelines, capacity development framework, and capacity building activities for the newly created SOEs.⁷⁰ Other sectors received support via Ministry of Finance such as the delivery of training to the Ministry’s Economic Policy team and

⁶⁹ ADB. 2017. Timor-Leste: [Olam International Limited: Inclusive, Sustainable, and Connected Coffee Value Chain \(Subproject 2\)](#)

⁷⁰ ADB. 2018. Timor-Leste: Promoting Sustainable Land Transport ; ADB. 2012. Timor-Leste: [Infrastructure](#) ; ADB. 2019. Timor-Leste: [Implementing Reforms for Growth and Competitiveness.Management](#).

improvements in links between planning and budgeting.⁷¹ MOE training covered planning and managerial capacity for ministry staff and school officials.

92. **Partnership.** ADB collaborated with diverse development partners. Strategy 2030 emphasizes ADB catalyzed and mobilized financial resources for development through strengthened collaboration with multilateral, bilateral, and private sector partners. In Timor-Leste, cofinancing projects were done with EU and JICA in the transport sector; with additional support from the Urban Financing Partnership and the Water Financing Partnership Facility in the water sector; with grant support from JFPR in the ANR sector; and support from DFAT for the financial sector activities. ADB also works closely with other development partners and non-government organizations (NGOs) in the road sector. There is efficient coordination and alignment with JICA and the World Bank on the road sector strategy (rehabilitation and O&M strengthening), division of priority roads sections, and establishment of a multi-donor PMU. ADB regularly steers donor coordination meetings for the country's transport sector and its WUS sector and meets regularly with NGOs to share information on knowledge work and project implementation. To enhance Timor-Leste's investment climate and hone its economic policies, ADB has coordinated with JICA and the International Finance Corporation during the preparation of a prefeasibility study for the extension of the Dili Airport Runway. There is at this stage no regular coordination mechanism in place for the air transport sector. ADB also is working with a range of partners to help develop the country's coffee industry and participates in quarterly donor meetings in the sectors of agriculture and secondary education. During the implementation of the education project, ADB collaborated with civil society organizations (CSOs) for vocational training. Nevertheless, further efforts at strengthening partnerships can be made. For instance, the preliminary assessment for Dili Airport Runway Upgrade full stakeholder consultation was not realized and the presentation on the options for the runway extension was limited only to key government stakeholders.

93. **Environmental sustainability.** About 55% of the projects implemented during the period contributed to environmentally sustainable growth. All infrastructure projects implemented by ADB include social and environmental safeguards that are monitored during project implementation. Support was provided on climate proofing through GEF cofinancing on one of the road projects, but on a limited number of kilometers. The proposed Water Supply and Sanitation Investment Project will include a \$3 million grant from the GEF to build resilience to climate change through the construction of several reservoirs and bores and prepare studies in three municipal capitals. TA support was provided to the Government for the establishment of marine protected areas to be managed by the government and the community. ADB supported the building of institutional capacity and dissemination of knowledge on infrastructure response to hazard risks through its infrastructure projects, by providing training to all implementation agencies on the requirements for ADB environmental safeguards completion and socializing the EBL and ELL. ADB has been providing support to the National Directorate of Pollution Control and Environmental Impact, though capacity development support for licensing activities.⁷² The TA also supported the review of the ELL and the preparation of corresponding amendments and implementing regulations. These provide important lessons for the next with Strategy 2030's OP on tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability. ADB targets scale up support in these areas and ADB aims to ensure that 75% of the number of its committed operations will be supporting climate change mitigation and adaptation by 2030.

⁷¹ ADB. 2016. Timor-Leste: [Fiscal Policy for Improved Service Delivery and](#) ADB. 2018. Timor-Leste: [Support for Achieving the SDP 2011-2030 and the SDG](#)

⁷² ADB. Timor-Leste: [Policy and Planning Development for Public Investments, Subproject 1](#)

94. **Gender equity.** Gender equity and mainstreaming was a component for about half the TAs and 88.5% of investment projects and reached 100% of the currently active projects. All projects include specific gender mainstreaming elements supported by a gender action plan (GAP), related to the access to basic education and sanitation services and to employment, although sector- and project-specific gender-disaggregated data is not always available to monitor implementation of GAPs and allow for complete assessment. The CPS monitoring framework does not include explicit gender-focused outcomes or indicators. All road projects tend to adopt the same gender-mainstreaming approach, with targets related to women’s participation in: (i) employment, with contractors “encouraged” to employ women, especially for labor-based works (30% across the board); (ii) training activities (20%–30%); and (iii) community consultations and community-level decision-making bodies (50% in the water sector, 30% in the transport sector). However, an ADB case study analysis of the gender mainstreaming activities in Timor-Leste found a lack of reporting on the GAPs implementation of monitoring of the targets for the road and water projects. The report highlighted a discrepancy between the targets and the cultural reality of the country, whether in terms of labor provided or involvement in consultative processes.⁷³ This is reflected in the RNUDP, for which reports show that female workers were employed only on two contracts and represented only 10%–12% of the workforce against the 30% target. Gender mainstreaming was also an important element of the MSTP secondary education project, which was put forward as a good practice example by the case study. It included, for instance, the distribution of brochures figuring females in nontraditional roles and media campaign videos portraying female trainees and technicians. The target of female participation rate in construction and automotive training was met, showing an increase from 5% in 2009 to 22% in 2016. The DUWS included only one gender-based impact indicator, which was lacking considering the potential significant impact on women of water service delivery projects. The JFPR-funded CALI project involves 12 gender mainstreaming activities including quantitative targets regarding female participation. In line, with Strategy 2030’s operational priority 2 for accelerating progress in gender equality, the next CPS will include OP plan and CRF targets.

F. Performance of the borrower and executing agency

95. **Overall borrower performance.** This section assesses the adequacy of the support and contributions provided by the borrower and executing agencies during the different project preparation and implementation stages, compliance with covenants, and quality of collaboration. The Government made timely and adequate release of counterpart funds throughout the period. It complied with all grant and loan covenants, except for DUWSP, and submitted audited financial statements in time, albeit with some quality issues. Government was in general responsive and there was good ownership of the different investment and TA projects. However, the successive changes of Government slowed down approvals and communication. Similar to the previous CPS, executing and implementing agencies had capacity issues which cause delays in the project implementation. Management capacity and understanding of ADB procedures in executing agencies are still lacking. Delays in payments and approval slowdowns operations. Staff turnover in the PMU have caused further difficulties. The review assesses the borrower’s performance as *less than satisfactory*.

96. **Ownership and strategy.** The Government has provided clear directions regarding its development priorities and clarified its position on the use external resources through its updated 2019 Aid Policy and a shift on its position regarding loan funding. The Government showed strong ownership in different sectors and contributed to counterpart funds in time. Overall coordination

⁷³ Independent Evaluation Department. 2017. *Asian Development Bank Support for Gender and Development (2005–2015)*. Manila: ADB, in: Supplementary Linked Documents (Country Portfolio Assessments)

with the Ministry of Finance has been good and since 2019, regular coordination meeting organized by General Directorate for Management of External Resources for all loan and grant projects have further facilitated discussions. Some occasions of ineffective coordination have however provoked delays in the decision-making process but the Ministry of Finance expressed its commitment to work more closely with ADB to reduce time gaps.

97. **Project implementation.** MPW is the implementing agency for infrastructure projects. The Ministry has two PMU offices, one for road projects and another one for water and sanitation projects. The restructuring of the road sector PMU at the end of 2018 led to the termination of all consultants' contracts which caused loss of institutional memory and capacity—related to the limited resources of the PMU to verify claims and contract management issues, such as delay in processing of contract variations for both civil works and supervision contract. The reliance on international experts shows that there has not been an increase in the capacity of line ministries to support project implementation works. Compliance with financial management aspects was satisfactory for all projects. Weak understanding of ADB procedures sometimes caused delays in the project implementation and the use of English for reporting has sometimes been an issue. In addition, bureaucratic layers, overlapping roles and mandates, and general lack of inter-ministerial coordination make project implementation more challenging.

98. **Safeguards.** Compliance with social and environmental safeguards have been irregular, and safeguard issues have become major factors contributing to the delay in project implementation. In the on-going road projects RNUSP and BVH, delay in the Government's payments for resettlement and land acquisition processes have become a major issue during implementation. This has slowed mobilization and commencement of the works due to unsolved resettlement issues. The affected people in some road sections were unpaid while civil works began, an exception to ADB's safeguard policy (SPS 2009). Even until mid-2020, under the BVH project some affected persons remain unpaid although the civil works has already started. In addition, environment and mineral licenses have also become obstacles for project implementation. Experience shows that some of the projects obtained licenses up to one year after the contract award. Environmental safeguard during civil works were usually complied with, except for issues related to dust during road construction, raised by NGOs and communities. Delays in producing GAP monitoring reports was also reported, though they should be part of the project quarterly report submission. The PMU did not submit any quarterly report, with the exception of the semi-annual monitoring report for social safeguards, between late 2018 and early 2020. Additionally, audit reports show that financial compliance needs to be improved. The roads project PMU does not have an appropriate accounting software, reports have been submitted in an aggregated manner rather than by project and reports often do not follow international accounting standards.

99. **Completed projects.** The PCR and VRC for the RNUD project rated the performances of the borrower and the executing agency as *satisfactory* in supporting project preparatory and implementation works. The Ministry ensured the rapid establishment of an experienced PMU, and counterpart funds were provided on time. The PMU adequately handled the recruitment of contractors and was able to effectively manage the changes in design and contract variations. All the project grant covenants were met. The PCR and VCR rated the borrower and executing agency performance during the DUWSP as *less than satisfactory*. DNSA, in charge of implementation, suffered from weak management and struggled to coordinate the high number of international consultants and complexity of the project. Many of the project-related staff had other responsibilities, limiting their input to DUWSP activities. The project partially complied with three covenants and did not comply with six, related to the fact that there was sometimes a lack of staff for the implementation consultants placed in the National Directorate for Water Services

to work with, the contracts of the implementation consultants' ended prior to the start of construction, and only half of one leak detection team out of the three planned ones remained working for DNSA at project completion.

G. ADB Performance

100. **Overall ADB performance.** This section assesses the performance of ADB during the CPS period, including its role in coordination, its responsiveness and flexibility to the context, its capacity to react to arising problems and the quality of its project supervision. The CPS sought to support economic growth and diversification in Timor-Leste by focusing on five sectors: transport, water and other urban infrastructure and services, energy, finance, and education. COBP 2020–2022 included agriculture in ADB's assistance areas and COBP 2021–2023 enhanced the CPS by including projects in the finance and information and communication technology (ICT) sectors. The pipeline also addresses support for health and economic responses to the COVID–19 pandemic and other emergencies. The country assistance areas are shown in Appendix 1. ADB showed flexibility in a challenging context, responding quickly to the global pandemic and adapting the portfolio to the government's change of policy priorities, as needed. ADB also showed responsiveness in project management, adapting the scope and targets of project to new needs, delays, and unforeseen challenges. Government counterparts expressed appreciation for ADB's work, especially for the leading role in road infrastructures. A closer monitoring of projects could have potentially avoided some delays and there is scope for improving knowledge production and dissemination. **ADB performance is assessed as *satisfactory*.**

101. **Responsiveness and alignment with the context.** The CPS is well-aligned with the Government's development priorities and the SDP. Despite a challenging context, ADB demonstrated capacity to respond rapidly to emerging needs, e.g. processing of a food emergency grant in response to food security issues during the COVID-19 pandemic. ADB was able to rapidly mobilize resources and initiate project preparation when the Government announced a change of policy regarding the scope of use of loan-financing. It selected appropriate financing modalities given the context and level of capacity in executing and implementing agencies. ADB played a central role in the Government's effort towards better governance and PSM, illustrated by the adopted of several plans and strategies, and important reforms in the establishment of SOEs. ADB also successfully launched its first non-sovereign activity. Success in diversifying the portfolio as planned was limited. Road transport still makes up for the majority of the portfolio, which is explained in part by the Government initial decision to limit loan financing to the road sector and the political situation during 2017–2018 and in 2019–2020, which slowed down the approval of new projects.

102. **Communication with the government.** ADB maintained a positive relationship with the government throughout the period. TLRM has good communication with the Directorate General of External Resources Management and Mobilization under the Ministry of Finance. It would be useful to institutionalize the regularity of these meetings. ADB responds promptly to government's requests such as support for specific sectors or reallocation of loan savings.

103. **Coordination and collaboration.** ADB continued to play a central role in the coordination of infrastructure projects. It collaborated with the World Bank on PSM-related activities, with IFC and JICA on air transport, and continues to coordinate closely with JICA and the World Bank on road infrastructure projects to avoid duplication and maximize returns of the investments. The use of a shared PMU continues to be successful. ADB is leading a dialogue between the government and relevant development partners with a proposal to create a national road maintenance plan which would harmonize funding support on O&M from the different development partners.

Cofinancing was secured from a range of development partners and trust funds to strengthen the TASF allocation in finance, WUS, and ANR.

104. **Knowledge and capacity building.** Provision of knowledge services or training was systematically integrated to projects. Different sectors benefited from the use of regional TAs, including education, ANR, environmental protection, energy, private sector development and RCI. These regional TAs facilitated cross-learnings and access to international experiences. Allocation to building government and institutional capacity through TAs and coordination during project implementation have been the most vital. The previous CPSFR included a recommendation to strengthen ADB’s in-country communications by increasing the amount of material translated in Tetun. Some of the knowledge products were translated into the official languages Tetun and Portuguese according to needs and requests, although none of the programming documents over the period were translated. The number of knowledge publications produced annually has been irregular. ADB provided important support through background studies in the development of the Government’s *Economic Recovery Plan*, a response to the socioeconomic impacts of the COVID-19 pandemic. There is scope for strengthening the dissemination, monitoring, and evaluation of knowledge support.

105. **Project Monitoring.** Some outcomes and outputs were not achieved due to failure to revise them after change in scope of the project. The CPS Monitoring Framework was not revised throughout the whole period despite changes in the programs and postponing of projects. The last CPSFR Validation report recommended closer portfolio monitoring. There was no Country Portfolio Review Mission (CPRM) organized between 2016 and 2020. CPRM meetings were repeatedly proposed to the Government but agreeing on a schedule proved to be difficult. This was also partly justified as the portfolio largely comprised road transport projects which had frequent sector review missions. As the portfolio continues to diversify, regular CPRM monitoring of projects with sufficient person-days for review missions, and close follow-up of projects monitoring reports help improve the portfolio performance.

106. **Completed projects.** ADB performance during the DUWSP was rated as *Satisfactory* by the PCR but lowered to *less than satisfactory* by PVR. Given the ambitious design and outputs, more institutional and capacity support should have been provided initially to DNSA. The PVR concluded that ADB had failed to conduct enough review missions even when the project showed limited progress over long period of times. The project back-to-office reports also failed to capture the existing issues during the implementation which would have required urgent intervention. However, ADB took a decision to outpost a WUS specialist to TLRM, which subsequently contributed to improving the performance in the sector, with preliminary assessments of the on-going WUS project showing higher rates of output completions. The performance of ADB was assessed as *satisfactory* for the RNSDP, and lowered to *Less than satisfactory* by the Validation report on the basis that fewer design changes might have been required if decisions had been taken earlier or more detailed studies completed during the design phase. Preliminary results of MLSDP point towards *satisfactory* performance.

H. Overall Assessment

107. On the basis of the individual evaluation criteria as assessed above, overall, the CPS is assessed as *less than successful*, with a score of 1.6.

Table 8. Overall Assessment

Criterion	Weight (%)	Rating	Value
Relevance	20	Relevant	2

Effectiveness	20	Effective	2
Efficiency	20	Less than efficient	1
Sustainability	20	Less than sustainable	1
Development Impact	20	Satisfactory	2
Overall			1.6

IV. ISSUES, LESSONS AND RECOMMENDATIONS

A. Issues and lessons

108. **Slow improvement in development indicators.** While there is no doubt that living conditions have improved across many dimensions, the rate of progress has been slow and uneven and tremendous challenges remain with high rates of poverty, limited access to basic services especially in rural areas, problematic levels of child malnutrition, and high prevalence of gender-based violence and limited economic opportunities for women. Real gross domestic product per capita has fallen since 2013.

109. **Stagnant economic diversification.** Timor-Leste has made limited progress with economic diversification and development of a sustainable non-oil economy, as economic growth continues to rely heavily on public spending and the share of domestic revenue is still low. With the diminishing production of oil and gas, expected to end in 2021–2022, the Government needs to accelerate the development of an enabling environment for the private sector to help youth employment and diversify revenue sources.

110. **Limited capacity development.** Further investments in human capital are needed. Limited capacity in public service is slowing down the implementation of development policies and the improvement of public service delivery, highlighting the need for administrative reform and public sector capacity building. Skills gaps restrain private sector development and contribute to the high level of unemployment. For example, capacity development for officials in the finance sector requires intense focus. Although important efforts were put by ADB into reinforcing capacity, results were variable and future projects must rely on lessons learned and best practices highlighted in previous completion reports.

111. **Political context.** The CPS 2016–2020, and its extension to 2022, encountered similar issues as the previous strategy, with in addition a more challenging political context related to political uncertainties and a succession of elections and coalitions. The political deadlock in 2017–2018 led to a contraction of the economy and caused delay in the progress towards development objectives, while the rejection of the 2020 budget led to a new drop in public spending which accentuated the economic and social effects of the COVID-19 pandemic. It also postponed the approval of any new ADB loan and impacted the implementation of existing projects. The challenge of weak state capacity lies at the heart of the country's state-building efforts as a fragile country.⁷⁴

112. **Limited capacity in the government and the construction sector.** Existing delays derive largely from: the low implementing capacity of the executing agencies; difficulties in recruitment of appropriate staff and consultants; and limited capacity of private contractors. ADB needs to incorporate these capacity constraints with more realistic timelines in the design phase, including for procurement. During implementation, more regular communication with the executing and implementing agencies, with numerous follow-ups on progress, is necessary. Early intervention must occur when potential problems are identified. Continued support to human capital development and policy reforms are required to establish good infrastructure governance.

⁷⁴ OECD. 2009. Monitoring the Fragile States Principles: Reflections on Issues of Capacity and Capacity Development. <https://www.oecd.org/countries/timor-leste/monitoringthefragilestatesprinciplesreflectionsonissuesofcapacityandcapacitydevelopment.htm>

113. **Safeguards.** Enforcement of social and environment safeguards has been problematic, causing delays in the initial phase of several projects and ADB did not sufficiently anticipate before the project start-up. This is in large part due to a lack of capacity in the relevant agencies and additional support is needed for the department in charge of environmental licensing and the road project PMU, integrating lesson learned from previous support activities provided to both agencies. Monitoring of gender aspects has been irregular with failure to produce reports and lack of data for a number of projects and needs to be strengthened.

114. **Funding and capacity for maintenance remains way below required levels.** ADB needs to put in greater efforts to support investments and recurrent spending on O&M activities and capacity. The sustainability of infrastructure projects remains at high risk until this is resolved, and efforts to address this issue need to be greatly intensified.

115. **Project administration.** The progressive delegation of project administration to TLRM has been successful. Regular interactions with project counterparts helped ensure flexibility and efficient communication throughout the project implementation cycle, as seen by the improvement in the implementation of WUS activities after the out-posting of an Urban Infrastructure Specialist. Strengthening links between TLRM-based staff and project officers in HQ at the conceptualization and design stage of projects can help to develop scope appropriate to the local context and capacity levels.

116. **Project monitoring.** The timely production of project monitoring reports has been at times lacking, especially in the road sector. Closer monitoring and additional support from ADB to the executing and implementing agencies is needed, for example, to ensure alignment with safeguard requirements.

117. **Limited private sector.** The small private sector and weak business enabling-environment limit opportunities for private sector development and non-sovereign activities, and multifaceted intervention is required. In addition to the continuity of the support to the finance sector and to the revision of the legal framework under ASEAN membership accession efforts, ADB's initial intervention on value chains in the agriculture sector, centered around strengthening market linkages and stimulating productive activities, was successful and could be scaled-up.

118. **Continuous support for reforms implementation.** ADB has supported the development of sector plans and strategies in ANR, Transport, and WUS. There is one planned for the Education sector. Given the limited capacity of the government, a long-term engagement in the sector allows for deeper and more meaningful engagement and ensures the success in the implementation of the strategy, especially when linked to capacity development support.

B. Recommendations

119. **Continue to focus on infrastructure but further diversify portfolio.** ADB's comparative advantage in the infrastructure sector justifies maintaining continuous support in that sector, but ADB must further diversify its existing investment portfolio to support inclusive and sustainable growth. With the publication in 2019 of a list of sectors open to loan-financing and the government's new position, opens up several opportunities. ADB took an initial step during the CPS 2016–2020 with a significant share of nonlending allocations going to transaction TA with a sharper focus on project preparation (transport, energy, WUS) and the introduction of ANR in its portfolio. The COBP 2021–2023 added finance and information and communication technology to the sectors of intervention. ADB should also continue to support areas in which the government has shown a high level of commitment, such as RCI.

120. **A differentiated approach in respond to fragility.** An accurate understanding of Timor-Leste's specificities is key to the development of an appropriate response to fragility, and ADB must remain alert to the risk of contributing to existing weaknesses with programs and projects not well adapted to the country's political and economic context. Efforts in sustaining high-quality analysis and understand of the political economy, government capacity, and private sector context, will help with the understanding of political power shifts, priority areas, and continuous changes within institutions which together influence economic and social development. This will help tailor the design and implementation of programs and institutional reforms to context, with appropriate feasibility and risks management mechanisms. It is recommended to conduct regular sectoral analyses are required to update the understanding of capacity, institutional arrangement, and challenges, at a sector-level. Only so can ADB develop appropriate sector strategies adapted to Timor-Leste's context, and not limited to the application of best practices. ADB has identified several factors of fragility, including weak governance and institutional capacity due to lack of legal and regulatory framework for land use, business development and finance; high vulnerability to climate change and natural disasters; and low quality of basic services delivery. Some of these factors have, at times, not been fully accounted for, resulting in over-ambitious project scopes or insufficient capacity development activities. Lessons need to be carefully integrated in the next strategy and future projects. Public sector reforms in particular, must be approached with care. Support to Timor-Leste's development of SOEs, PFM reforms, and infrastructure management has to incorporate existing governance and human capacity contexts, including more attention to good governance by way of supporting systems, structures and approaches which represent the basic set of conditions for a functioning state and are appropriate for the local context.⁷⁵ Better coordination between donors is also needed, as support to governance reforms have generally been fragmented and lacked a unified vision, which undermined the impact.⁷⁶

121. **Improving project readiness, accelerate processing, and support contract and project management.** Almost all investment projects have faced delays at different stages of the project cycle. ADB can improve implementation efficiency by designing plans which account for the low absorption capacity during implementation, and more recently for the risks of political instability. The involvement of TLRM staff in the design of new projects should be encouraged, given their knowledge of the context and experience in implementation. A strict application of filters for project readiness, accompanied by realistic targets and explicit strategies to address and prepare for identified factors of delay, could help partly address existing challenges. ADB should continue to regularly correspond with the different government actors and follow closely the evolution of the political situation and its potential impacts on on-going and future ADB projects, including projects approvals. Projects should also include sufficient TA assistance for executing and implementation agencies, to limit delays caused by weak planning and lack of implementation capacity. Designs need to include realistic timelines that integrate the risk of slow recruitment, contracting, and civil works. Involving the executing agency and PMU counterparts as much as possible throughout the project cycle can be more costly and time-consuming but is key to building sustainability and projects need to budget and plan accordingly for this to happen. The use of advance contracting should be considered to avoid delays at early stage of implementation.

122. **Strengthening the 'business case' for ADB financing.** Sovereign borrowing has been used so far to finance rehabilitation and upgrading of national roads, while other sector projects

⁷⁵ OECD, *ibid*.

⁷⁶ PEFA Secretariat. 2020. Timor-Leste: Public Expenditure and Financial Accountability Assessment 2018. Washington D.C.

were funded by grants. The Government confirmed in 2019 its decision to expand sovereign borrowing for the financing of investments in other sectors. The Government's stated preference is to prioritize the allocation of concessional financing to investments in social sectors such as water and sanitation and education, which strongly aligns with ADB's strategy. ADB will continue to inform the Government other available instruments beyond concessional and non-concessional loans, such as policy-based loan and multi-tranche financing facility, to maximize lending impact while considering the country context. A policy-based loan for the finance sector is currently on stand-by for 2022. In this context, appropriate staffing requirements need to be addressed within the Timor-Leste Resident Mission to adequately monitor and respond to the needs in the country, and to manage the diversification and expansion of the portfolio.

123. Reinforcing O&M. Infrastructure contracts now provide for two years of O&M which helps build capacity in the private and public sectors and also supports institutionalizing O&M practices, establishing routine tasks to be completed daily, weekly, monthly and annually. Lessons learned from previous projects should be integrated. This includes the development of clear and concise manuals and standard operation procedures should always be included, as well as a strong focus on formal and on-the-job training, followed by the delivery of competency certificates to the staff who committed and performed, as individual recognition has a high cultural value in Timor-Leste. An exit strategy must be carefully planned and integrated in the design. Funding remains uncertain and O&M need to become part of the recurrent State Budget allocations. ADB should continue to engage with the government on this topic while continue to explore the possibility with other development partners to establish a multi-donor fund for O&M. Support to improve asset maintenance would also be beneficial.

124. Ensuring that ADB projects build long-term capacity. Given Timor-Leste's status of fragility, in particular regarding public sector capacity, using projects as a mean to strengthen knowledge and competencies of counterparts is key for the success of both ADB intervention and competition of development targets. Support to good governance requires long term intervention to yield results. ADB interventions need to be consistent and flexible. Through project TA and standalone TA activities, ADB has been conducting numerous initiatives related to building state capacity in finance, planning, and project management, with a focus on infrastructure. However, capacity in the Government and limited skills remain a constraint. This is illustrated by the impact of the Government's decision to terminate all advisers' contracts in the road transport PMU and the continuing delay in obtaining environmental licenses from the DNCPIA, two units that previously received TA support from ADB. TA final reports also occasionally state limited success in capacity building activities due to high turnover of staff or delays in implementations which impact time and resources available for training. Stronger emphasis needs to be put on capacity building impacts of TAs, accounting for risk of staff turnover and delay in project implementation. Institutional development is a lengthy process which typically requires investments beyond the timeline of an infrastructure project, and access to long-term reliable support is essential to obtain sustainable results. Strong coordination with the Government is necessary as formal and on-the-job training delivered through ADB must be aligned with a clear strategy of institutional and human capacity development lead by the executing agency.

125. Strengthening consultation and monitoring at strategy and projects levels. Strengthening the consultation process with the government, and particularly at the sectoral level, can help ensure a closer alignment between ADB planning and a realistic implementation of the program. Changes in scopes for several TA and investment projects to adapt to changing political decisions and unexpected political challenges have shown the importance of flexibility, close monitoring of progress, and continued dialogue with government stakeholders. Ensuring sufficient time during country missions and regular consultations with the government technical staff will

help limit potential and actual problems. Monitoring frameworks should ensure the existence of baseline data and be updated when necessary. There is scope for better gender mainstreaming indicators and targets monitoring.

126. Consolidate partnerships and increase leverage of ADB financing through cofinancing and grants. ADB can further strengthen its coordination role in the infrastructure sector, especially as it seeks to expand its portfolio. Several donors are already involved in the air transport, land transport, agriculture, WUS, and secondary education sectors. Successful cooperation is demonstrated in the road transport sector. Cofinancing is currently limited to road transport and represents respectively 8.1% of investment projects and 12% of TAs of the total amounts approved during 2016–2019. On environmental-related challenges, ADB can help Timor-Leste to leverage climate funds, bilateral grants, or other special funds. ADB will also continue to leverage the access to regional pool funds for projects supporting RCI, which is currently a strong focus of the government's policy, an area where ADB has played a leading role. Based on the successful impact of cofinancing received from EU, DFAT, and JICA, ADB will continue to reach out to other donors for future collaboration.

127. Increasing impact of knowledge support. ADB should continue to develop and nurture knowledge partnerships with bilateral and multilateral partners, CSOs, universities, and the private sector. ADB will continue to correspond with Government to identify its needs and produce the most relevant knowledge and services. ADB also needs to strengthen its connection to the private sector and civil society, to further improve the appropriateness of its approach to the community context and business sector needs. Additional efforts will be invested in facilitating cooperation between Timor-Leste and neighbor countries to facilitate south-south cooperation and information sharing. This also includes identifying, through regional TAs, innovative approaches and solutions in specific areas or sectors that could be replicated successfully in the specific context of Timor-Leste. Finally, dissemination efforts to key target audiences are critical for improving knowledge use and additional efforts ought to be put into making the knowledge already produced accessible to others, including by widening the platforms of diffusions and making it available in Tetun-Prasa. The use of social interaction processes in Timor-Leste can be strengthened, in particular through communities of practice, trainings, and social media. Knowledge should also continue to be made accessible through financing and institutional capacity building activities implemented during the operational cycle.

128. Strengthening integration of the CPS to Strategy 2030 indicators. ADB needs to integrate the Strategy 2030 operational priorities in its next strategy, and monitor related indicators in a more systematic manner, including those in the corporate results framework (CRF). This will allow ADB to more accurately plan, monitor implementation and progress, assess development impacts, and ensure activities are on track to meet their targets, in order to intervene when necessary and actively respond to changes of context and needs.

APPENDIX 1. ONGOING AND COMPLETED ADB OPERATIONS DURING CPS 2016–2022
Table A1.1. List of Loans and Grants Active During the CPS Period (2016–30 September 2020)

Project Name	Sector / subsector	Approval No.	Approval	Effectivity	Closing		Amount	Status
					Original	Revised		
Road Network Development Sector Project (RNDSP)	Transport / Road transport	G0180	20-Nov-09	5-Apr-10	31 May 2015	15-Dec-17	52.9	Closed
		L2857	30-Mar-12	13-Jun-12	30-Jun-17	30-Jun-17	30.85	Closed
Road Network Upgrading Project (RNUP)	Transport / Road transport	L2858	30-Mar-12	13-Jun-12	30-Jun-17	30-Jun-17	8.43	Closed
		G0504	19-Oct-16	20-Feb-17	30-Jun-19	20-Dec-20	22.62	Open
		L3181	30-Oct-14	01-Oct-15	30-Jun-18	30-Jun-20	11.78	Open
		G0404	11-Sep-14	18-Dec-15	30-Jun-20	30-Jun-20	4.5	Open
Road Network Upgrading Sector Project (RNUSP)	Transport / Road transport	L3020	19-Sep-13	03-Mar-14	30-Jun-20	-	40	Open
		L3021	19-Sep-13	03-Mar-14	30-Jun-20	-	9.314	Open
		L3341	03-Dec-15	19-May-16	30-Jun-21	-	53	Open
		L3342	03-Dec-15	19-May-16	30-Jun-21	-	22.949	Open
Dili to Baucau Highway	Transport / Road transport	L3456	11-Nov-16	02-May-17	30-Nov-22	-	49.65	Open
Baucau to Viqueque Road Project	Transport / Road transport	L3643	21-Feb-18	19-Feb-19	31-Dec-21	-	19	Open
District Capitals Water Supply Project	WUS / Urban policy, institutional and capacity development - Urban water supply	G0258	23-Sep-11	9-Mar-12	30-Jun-17	30-Jun-21	11.0	Open
Dili Urban Water Supply Sector Project	WUS/ Urban policy, institutional and capacity development - Urban water supply	G0100	18-Dec-07	25-Apr-08	31-May-11	25-Aug-16	6.0	Closed
Mid-Level Skills Training Project	Education / Technical and vocational education and training	G0274	21-Jul-11	30-Jun-18	30-Jun-17	30-Jun-18	12.00	Closed
Coffee and Agroforestry Livelihood Improvement	Agriculture, natural resources and rural development / Agricultural production	G9209	28-May-20	9-Sep-20	31-Oct-24	-	3.2	Open

Table A1.2 List of Technical Assistance projects implemented during CPS 2016–2022 (excluding regional TA)

TA No	TA Type	Title	TA Approval Date	Expected or Revised Completion Date	TASF	Other Fund	Additional Financing	Status
4942	-	Infrastructure Project Management	21-Jun-2007	30-Jun-2017	3,000,000.00	ATAG	12,000,000	Closed
7981	-	Strengthening Water Sector Management And Service Delivery	14-Dec-2011	31-Mar-2018	1,312,000.00	-	-	Closed
8064	-	Second District Capitals Water Supply Project	26-Mar-2012	29-Jan-2016	550,000.00	WFPF	200,000	Closed
8256	-	Preparing for Regional Economic Integration	10-Dec-2012	30-Jun-2016		JFPR	850,000	Closed
8278	-	Infrastructure Management	11-Dec-2012	30-Jun-2017	1,500,000.00			Closed
8750	-	Urban Services Improvement Sector Project	7-Nov-2014	30-Jun-2018	1,300,000.00	UEIF	180,000	Closed
8762	KS	Expansion Of Financial Services	20-Nov-2014	31-Dec-2020	750,000.00	ATAG	526,060	Active
9006	-	Policy and Planning For Skills Development In Secondary Education	3-Dec-2015	31-Dec-2019	1,000,000.00	-	-	Active
9070	-	Capacity for Regional Economic Integration	28-Jan-2016	30-Jun-2020	500,000.00	RCIF	500,000	Active
9075	-	Electricity System Strengthening And Sustainability Program	29-Jan-2016	31-Mar-2019	1,000,000.00	-	-	Closed
9122	-	Fiscal Policy for Improved Service Delivery	17-Jun-2016	31-Dec-2020	750,000.00	-	-	Active
9264	SST A	Support for Preparation Of A National Coffee Sector Development Plan	5-Dec-2016	30-Jun-2019	225,000.00	-	-	Closed
9495	TR	Policy and Planning For Public Investments Subproject 1	21-Dec-2017	31-Dec-2020	1,200,000.00	-	-	Active
9502	TR	Promoting Sustainable Land Transport Infrastructure	21-Feb-2018	31-Dec-2020	1,000,000.00	-	-	Active
9704	KS	Support For Achieving The Strategic Development Plan 2011-2030 & Sustainable Development Goals	11-Dec-2018	30-Jun-2020	225,000.00	-	-	Active
9702	KS	Preliminary Assessment For Dili Airport Runway Upgrading Project	21-Dec-2018	29-Feb-2020	225,000.00	-	-	Active
9802	TR	Energy System Strengthening And Sustainability Project	5-Sep-2019	29-Nov-2020	875,000.00	-	-	Active
9932	KS	Implementing Reforms For Growth And Competitiveness	17-Dec-2019	31-Dec-2023	1,000,000.00	WFPF	500,000	Active
6542	-	Capacity for Multilateral and Regional Economic Integration	22-Jul-2020	31-Dec-2022	1,500,000.00	-	-	Active

Table A1.3 List of Regional TA implemented during the CPS 2016–2022

TA No.	Project title	Approved	Completion Date	TA Amount	Status
7753	Strengthening Coastal and Marine Resources Management in the Coral Triangle of the Pacific (Phase 2)	Dec-10	Dec-18	18,518,183.00	Closed
8378	Pacific Private Sector Dev. Initiative, Phase III (Supp)	Jun-13	May-19	38,990.00	Closed
9017	Unlocking innovation for Development	Dec-15	Dec-19	5,000,000.00	Closed
9227	Promotion of International Arbitration Reform for Better Investment Climate in the South Pacific	Nov-16	Dec-19	1,650,000.00	Closed
9341	Strategies for Financing Social Protection to Achieve Sustainable Dev in DMC	Jul-17	Sep-19	1,500,000.00	Closed
9619	Demonstrating Future Thinking and Foresight in Developing member Countries	Oct-18	Oct-19	225,000.00	Closed
9923	Strengthening Project Readiness, Procurement and Financial Management in Southeast Asia	20-Dec-19	Dec-22	1,500,000.00	Active
9925	Southeast Asia Transport Project Preparation Facility Phase 2	Dec-19	31-Dec-22	10,750,000.00	Active
9767	Cross-Border Trade and Cooperation between Indonesia and Timor-Leste	15-Jul-19	21-Jul-21	1,000,000.00	Active
9350	Implementing the Regional Cooperation and Integration Operational Plan	31-Jul-17	31-Dec-21	3,850,000.00	Active

APPENDIX 2. CPS RESULTS FRAMEWORK

Country Development Impact Indicators with which the CPS is aligned:

1. Proportion of population living below \$1.25 a day at 2005 PPP\$: 0% by 2030 from 35% in 2007
2. Average growth rate of GDP per capita: 6.4% per annum from 2016 to 2030
3. Gross enrollment in secondary education: 127% by 2030 from 61% in 2014
4. ASEAN: full membership by 2020

Priority areas	Key outcome	Outcome indicator	Status (achieved/on track/not achieved) / Progress since 2016
CPS Objective and related impact (i): More inclusive and sustainable growth			
Inclusive and sustainable infrastructure services	Reduced time and cost to transport goods and people by road	Average travel times between the national and district capitals reduced by 30% by 2020 (2015 baseline: 3.6 hours) ^a	On track / Likely to be achieved with a delay 336 km of road national roads have been rehabilitated or upgraded since 2016, of which 205 km were financed by ADB. As of April 2020, average travel time from Dili to district capitals is estimated at 4 to 9 hours. It is expected to fall to 2 to 3 hours by end 2022 when ongoing national road upgrades are completed.
	Increased international shipping capacity	Containerized sea freight traffic increased to 107,000 TEU by 2030 (2014 baseline: 52,000 TEU) ^b	Achieved In 2019, the customs reported a traffic of 274,572 TEU. Improvements in customs procedures have reduced handling times and delays and increased the capacity. Construction of the new Tibar port is due to be completed in 2021. The new port will be able to handle 350,000 TEU per annum.
	Improved coverage and reliability of electricity services	Population with access to electricity increased from 70% in 2014 to 90% in 2020 ^b	On track / Some progress By 2017, 80.4% of households had access to electricity. (Source: World Development Indicators)
	Increased access to improved water and sanitation	Level of unaccounted water supplied in Dili reduced to 30% by 2020 (2014 baseline: 96%) ^b	Not achieved In 2019, 90% of water supplied in Dili was not accounted for. This is not expected to change significantly in 2020, since the implementation of the Dili Urban Water Supply Masterplan is expected to start only in 2021.
Leveraging private sector expertise for infrastructure management	Outsourcing of road maintenance to private sector	National roads maintained using long-term performance-based maintenance contracts increased from 0 km in 2015 to 800 km by 2020 ^b	Not achieved Since 2016, two performance-based maintenance pilot contracts for routine maintenance works were awarded to a national contractor after completion of the ADB project "Road Network Development Sector Project". The two contracts covered together 32 km.
	Use of public-private partnerships for	Number of successful public-private partnership	Not achieved / Some progress Timor-Leste signed reached financial close on its first PPP –

Priority areas	Key outcome	Outcome indicator	Status (achieved/on track/not achieved) / Progress since 2016
	operation and maintenance of ports, urban water supply, and electricity	transactions for infrastructure services increased from 0 in 2015 to 3 by 2020 ^c	the Tibar Bay port – in 2018. Pre-feasibility and feasibility studies have been signed for 1 project, and the PPP Unit has not yet signed any transaction advisory mandates for any projects. However, none of these projects is expected to reach financial close in 2020.
Long-term fiscal sustainability	Reduced net subsidies for infrastructure operation and maintenance	Metering of electricity consumption increased from 44% in 2013 to 100% in 2020 ^b	Not achieved / Some progress Revenues from electricity fees and charge have increased from US\$ 22.4 million in 2015 to US\$ 28.7 million in 2016. However, estimates show that about 60% of the electricity generated is still not billed to consumers (ADB, 2017)
		Electricity losses reduced from 58% of generation in 2013 to 20% by 2020	Not achieved / Limited progress Action to reduce technical losses has been limited. ADB's most recent estimate is that 50-60% of all electricity generated is lost due to technical and non-technical losses.
Environmental sustainability	Climate proofing of new and existing infrastructure	Climate resilience incorporated into all ADB-supported project designs	TBCI The TIM: Water Supply and Sanitation Investment Project will include a \$3 million grant from the Global Environment Facility (GEF) to build resilience to climate change through the construction of several reservoirs and bores and to prepare a hydrological studies in the municipal capitals of Lospalos, Viqueque and Same. A GEF grant of \$4.5 million was approved for specific targeting to climate proofed infrastructure which integrated to loan 3020/3021. This fund has been utilized bio-engineering aspects, such as slope stabilization, soil reinforcement, and improve culvert structure
	Increased use of renewable energy resources and clean fuels	At least 20% of electricity generated from sources other than diesel by 2020 (2014 baseline: 0%) ^b	Not achieved MPW invested in solar lighting systems for households in remote areas. However, this does not account for a significant share of generation.
CPS Objective and related impact (ii): Improved human capital			
Technical education	A skilled workforce with improved technical and vocational training	Proportion of technicians with secondary and post-secondary qualifications	On track / Some progress Participation in training programs was not covered in the last Labor Force Survey 2016. The educational level of the working age population (15 years+) is generally increasing,

Priority areas	Key outcome	Outcome indicator	Status (achieved/on track/not achieved) / Progress since 2016
		increased to 50% by 2030 (2010 baseline: 30%)	with an increase from 33% in 2010 to 38% for secondary school education and went from 2% to 12% for tertiary education. (LFS 2016). Out of the student population 14% of the student population is enrolled in 32 TVSE schools in 2016 (Government data - MoE), compared to 1,982 in 2010 (CPS Sector study).
Urban water supply and other services	Increased access among urban households to reliable clean drinking water supplies	Urban residents' access to improved water supply increased to 100.0% by 2030 (2014 baseline: 94.5%)	<p>On-track / some progress</p> <p>In 2019, three kiosks to facilitate the payment of the water bill were opened in Dili, however the progress in expanding metering and billing for water has been little. As a result, 'unaccounted' water is estimated to account for 90% of total water supplied in 2019.</p> <p>Through technical assistance, ADB is supporting the detail engineering design (DED) for a comprehensive upgrade of the water supply infrastructures in Dili and water supply and sanitation infrastructures in 4 Municipal Capitals. Under the same TA, ADB is also supporting the preparation of the water supply and sanitation masterplans for 6 remain Municipal Capitals</p> <p>This upstream work will unlock investment by GoTL, ADB, MCC, and World Bank that will enable Timor-Leste to achieve 100% coverage of urban residents' access to potable urban water supply by 2030.</p>
	Improved environmental health conditions in urban centers	Urban residents' access to improved sanitation increased to 100.0% by 2030 (2014 baseline: 86.4%)	TBC There has been virtually no progress in expanding access to improved sanitation, but just like for the urban water supply all the ongoing upstream work will unlock investment by GoTL, ADB, MCC, and World Bank that will enable Timor-Leste to achieve 100% coverage of urban residents' access to improved sanitation by 2030.
CPS Objective (iii): A more diversified and productive economy			
Business-enabling environment	Improved legal and regulatory frameworks for private investment, production, and trade	Compliance with binding ASEAN legal agreements increased to 100.0% by 2020 (2015 baseline: 1.6%) ^g	Not Achieved ADB helped MNEC to analyze Timor-Leste's existing policy and regulatory frameworks and to map the actions need to achieve compliance with ASEAN requirements. However, implementation of required changes has been limited due to

Priority areas	Key outcome	Outcome indicator	Status (achieved/on track/not achieved) / Progress since 2016
			i) a lack of clear guidance from ASEAN on pathway for Timor-Leste to become an ASEAN member; ii) frequent changes in government since 2016; and iii) challenges with inter-ministerial coordination.
		ASEAN Economic Community Scorecard reaches 100 by 2020	Not on track / limited progress Timor-Leste has made progress in some areas that are covered in the ASEAN Economic Community Blueprint. Timor-Leste's readiness to join the ASEAN Economic Community will be formally assessed by ASEAN through a factfinding mission in 2020.
Finance sector development	Improved availability and efficiency of financial services	Ratio of bank credit to the private sector to non-oil GDP increased to 70% by 2025 (2013 baseline 12.6%) ^h	Not on track / limited progress The ratio of credit-to-non-oil GDP estimated at 13 percent in 2018 (IMF 2019)
		Proportion of adult population with a bank account increased to 90% by 2025 (2013 baseline 16.6%) ^h	On-track / good progress In 2018, the share of adult population with at least a deposit account was estimated at 62% (BCTL data).
Regional integration	Regional economic integration and market linkages	Annual average direct investment from ASEAN+6 countries increased from \$25 million (2011–2014) to \$50 million (2016–2020) ⁱ	Not Achieved/progress Annual FDI inflows have increased since 2011, apart from a sharp drop in 2017. They remain below the average level of ASEAN members.

ASEAN = Association of Southeast Asian Nations; ASEAN+6 = ASEAN, Australia, the People's Republic of China, India, Japan, Republic of Korea, and New Zealand; COL = concessional ordinary capital resources lending; CPS = country partnership strategy; GDP = gross domestic product; km = kilometer; MOL = market-based ordinary capital resources lending; PPP = purchasing power parity; TBC = to be confirmed; TEU = twenty-foot equivalent unit; MPW = Ministry of Public Works.

a: Indicator calculated using a weighted average of travel times between the national and district capitals based on road condition data from the Government of Timor-Leste, Ministry of Public Works, Transport and Communications.

b: Government of Timor-Leste, Ministry of Public Works, Transport and Communications.

c: Government of Timor-Leste, Ministry of Finance, External Loan and Public-Private Partnerships Unit.

d: Excludes nonsovereign financing operations, technical assistance, and performance-based lending.

e: Government of Timor-Leste, Ministry of Finance and Secretariat of State for Vocational Training, Policy and Employment. 2015. Timor-Leste Labour Force Survey 2013. Dili. http://www.statistics.gov.tl/wp-content/uploads/2015/04/LFS_2013_ENGLISH_VERSION.pdf

f: Baseline estimates have been extrapolated using logit transformation estimation methods based on national survey estimates during 2001–2010. g Government of Timor-Leste, Ministry of Foreign Affairs and Cooperation, Ministry of Justice, Coordinating Ministry of Economic Affairs.

h: Central Bank of Timor-Leste. 2013. Spurring Growth: Master Plan for Financial Sector Development in Timor-Leste, 2014–2025. Dili.

i: Timor-Leste Specialized Investment Agency.

Sources: (i) Central Bank of Timor-Leste. 2013. Spurring Growth: Master Plan for Financial Sector Development in Timor-Leste, 2014–2025. Dili; (ii) Government of Timor-Leste. 2011. Timor-Leste Strategic Development Plan, 2011–2030. Dili; (iii) Government of Timor-Leste, Ministry of Education. 2011. National Education Strategic Plan, 2011–2030. Dili; (iv) Government of Timor-Leste, Ministry of Finance, General Directorate of Statistics. 2010. Timor-Leste Demographic and Health Survey, 2009–10. Dili; (v) Government of Timor-Leste, Ministry of Finance, General Directorate of Statistics; and United Nations Population Fund. 2011. Population and Housing Census 2010: Suco Report. Volume 4. Dili; (vi) Timor-Leste Specialized Investment Agency, 2015. Final List of Approved Investments, 2006–2014; (vii) World Bank. 2015. World Development Indicators 2015. Washington, DC; (viii) ADB estimates; (ix) Central Bank of Timor-Leste; (x) Timor-Leste Labour Force Survey 2010–2016

APPENDIX 3. PERFORMANCE OF ADB OPERATIONS

Table A3.1a Project Completion Report

Project	Project name	PCR							PCR Validation Report							Quality of PCR		
		Relevance	Effectiveness	Efficiency	Sustainability	Impacts	Performance TL	Performance ADB	Overall	Relevance	Effectiveness	Efficiency	Sustainability	Impacts	Performance TL		Performance ADB	Overall
G0180	Road Network Development Sector Project	HR	LTE	EF	LLS	Sa	Sa	Sa	S	R	LTE	E	LLS	Sa	Sa	LTSa	S	S
G0100	Dili Urban Water Supply Sector Project	LTR	LTE	LTEF	U	Usa	LTSa	Sa	LTS	LTR	LTE	LTEF	UL	Usa	LTSa	LTSa	LTS	S

HR: highly relevant; LTR: Less than Relevant; E: Effective; HE: Highly Effective; LTE: Less than Effective; EF: Efficient; LTEF: Less than Efficient; MLS: Most Likely Sustainable; LS: Likely to be sustainable; LLS: Less than Likely Sustainable; U: Unsustainable; Usa: Unsatisfactory; LTSa: Less than Satisfactory; Sa: Satisfactory; S: Successful; LTS: Less Than Successful

Table A3.1b. TA Completion Report Results

TA Number	TA Name	Relevance	Effectiveness	Efficiency	Sustainability	Impacts	Performance TL	Performance ADB	Overall
TA-8278	Infrastructure Management	HR	HE	E	LS	-	-	-	S
TA-9702	Preliminary Assessment for Dili Airport Runway Upgrading Project	HR	E	E	MLS	-	-	-	S
TA-9264	Support for Preparation of a National Coffee Sector Development Plan for Timor-Leste	HR	HE	E	LS	-	-	-	S
TA-8256	Preparing for Regional Economic Integration	R	LTE	E	S	-	-	-	S
TA-8064	Second District Capitals Water Supply Project	HR	LTE	LTE		Sa	Sa	Sa	S
TA-7981	Strengthening Water Sector Management and Service Delivery	R	LTE	LTE	LS	-	-	-	LTS

HR: highly relevant; LTR: Less than Relevant; E: Effective; HE: Highly Effective; LTE: Less than Effective; EF: Efficient; LTEF: Less than Efficient; MLS: Most Likely Sustainable; LS: Likely to be sustainable; LLS: Less than Likely Sustainable; U: Unsustainable; Usa: Unsatisfactory; LTSa: Less than Satisfactory; Sa: Satisfactory; S: Successful; LTS: Less Than Successful

**Table A3.2. Delays in Closing
Closed Projects (as of 30 Sept 2020)**

No.	Name	Approval	Original Closing	Revised Closing	Delay (months)
G0180	Road Network Development Sector Project	20-Nov-09	31-May-15	15-Dec-17	30
G0100	Dili Urban Water Supply Sector Project	18-Dec-07	31-May-11	25-Aug-16	62
G0274	Mid-Level Skills Training Project	7-Dec-11	30-Jun-17	30-Jun-18	12
	Average				35

Open Projects (as of 30 Sept 2020)

No.	Name	Approval	Original Closing	Revised/ Actual Closing	Delay (months)
L2857/ L2858	Road Network Upgrading Project (Dili-Liquica & Tibar-Gleno)	30-Mar-12	30-Jun-17	12-Oct-18	15
L3181	Road Network Upgrading Project (additional financing)	30-Oct-14	30-Jun-18	30-Dec-22	54
G0504	Road Network Upgrading Project (Additional Financing EU)	19-Oct-16	30-Jun-19	20-Dec-20	17
L3341/ L3342	Road Network Upgrading Sector Project	03-Dec-15	30-Jun-21	30-Jun-21	0
G0404	Road Network Upgrading Sector Project (Additional Financing-GEF)	11-Sep-14	30-Jun-20	30-Jun-20	0
L3020/ L3021	Road Network Upgrading Sector Project	19-Sep-13	30-Jun-20	30-Jun-22	24
L3456	Dili to Baucau Highway Project	11-Nov-16	30-Nov-22	30-Nov-22	0
L3643	Baucau to Viqueque Road Project	21-Feb-18	31-Dec-21	31-Dec-21	0
G0258	District Capitals Water Supply Project	23-Sep-11	30-Jun-21	30-Jun-21	0
G9209	Coffee and Agroforestry Livelihood Improvement	28-May-20	31-Oct-24		0
G0707	COVID-19 Food Security Emergency Response	18-Jun-20	9-Jan-21		0
				Average	10

Closed TAs (as of 30 Sept 2020)

No.	Project title	Approved	Completion Date	Revised Closing Date	Delay (months)
9702	Preliminary Assessment for Dili Airport Runway Upgrading Project	21-Dec-18	21-Dec-18	29-Feb-20	14
9075	Electricity System Strengthening & Sustainability Program	29-Jan-16	31-Aug-16	31-Mar-19	31
7981	Timor-Leste: Strengthening Water Sector Management and Service Delivery	12-Dec-11	28-Feb-15	31-Mar-18	37
8750	Urban Services Improvement Sector Project	7-Nov-14	30-Jun-16	30-Jun-18	24
9006	Policy and Planning for Skills Development in Secondary Education	3-Dec-15	31-Dec-18	31-Dec-19	12
9070	Capacity for Regional Economic Integration	28-Jan-16	30-Jun-18	30-Jun-20	24
9264	Support for Preparation of a National Coffee Sector Development Plan for Timor-Leste	5-Dec-16	31-Dec-17	30-Jun-19	17
8256	Preparing for Regional Economic Integration	10-Dec-12	31-Dec-14	30-Jun-16	17
9070	Capacity for Regional Economic Integration	28-Jan-16	30-Jun-18	30-Jun-20	24
Average					22

On-going TA (as of 30 Sept 2020)

No.	Project title	Approved	Original Completion Date	Revised Completion Date	Delay (month)
9502	Promoting Sustainable Land Transport Infrastructure	21-Feb-18	31-Dec-20	31-Dec-20	0
9495	Policy and Planning Development for Public Investments, Subproject 1	21-Dec-17	31-Dec-20	31-Dec-23	36
8762	Expansion of Financial Services (Supplementary)	20-Nov-14	31-Dec-18	31-Dec-20	24
6542	Capacity for Multilateral and Regional Economic Integration	22-Jul-20	31-Dec-22	31-Dec-22	0
9122	Fiscal Policy for Improved Service Delivery	17-Jun-16	31-Dec-20	31-Dec-22	24
9704	Support for Achieving the Strategic Development Plan 2011-2030 and the Sustainable Development Goals	11-Dec-18	30-Jun-21	30-Jun-21	0
9932	Implementing Reforms for Growth and Competitiveness	17-Dec-19	31-Dec-23	31-Dec-23	0
9802	Energy System Strengthening and Sustainability Project	05-Sep-19	29-Nov-20	29-Nov-21	12
Average					12

Table A3.3 – Project performance rating

Year	No. Projects	Loan & Grant Net Amount (\$ million)	On Track			Potential Problem			Actual Problem					
			No	%	Net Amount (\$)	%	No	%	Net Amount (\$)	%	No	%	Net Amount (\$)	%
2016	5	249.0	4	80.0	120.1	48.2	-	-	-	-	1	20.0	128.9	51.8
2017	5	276.8	3	60.0	72.7	26.2	2	40.0	204.2	73.8	-	-	-	-
2018	6	319.9	6	100.0	319.9	100	-	-	-	-	-	-	-	-
2019	6	319.8	5	83.3	275.8	86.2	1	16.7	44.0	13.8	-	-	-	-
2020	7	273.2	3	42.9	150.0	33.0	2	28.6	84.05	8.3	2	28.6	171.2	58.3

Table A3.4 – Start-up performance
Portfolio Start-up

Project Title	Loan/ Grant Nos	Year Approved	Loan Signing	Effective Date	Time (in months)	
					A/S	S/E
RNUP (Dili-Liquica & Tibar-Gleno)	2857 2858	30-Mar-12 30-Mar-12	2-May-12 2-May-12	13-Jun-12 13-Jun-12	1	1
RNUSP (Manatuto-Natarbora)	3020 3021	19-Sep-13 19-Sep-13	18-Nov-13 18-Nov-13	3-Mar-14 3-Mar-14	1	3
RNUSP - Additional financing (Baucau-Lautem, Maubara-Karimbala, Atabae-Mota Ain)	3341 3342	3-Dec-15 3-Dec-15	4-Mar-16 4-Mar-16	19-May-16 19-May-16	3	2
Baucau to Viqueque Road Project	3643 3644	21-Feb-18 21-Feb-18	23-Nov-18 23-Nov-18	19-Feb-19 19-Feb-19	9	2
RNUP - Additional financing (Tasitolu-Tibar)	3181	30-Oct-14	24-Jun-15	1-Oct-15	7	3
RNUP (Manatuto-Baucau)	3456	11-Nov-16	22-Dec-16	2-May-17	1	4
RNDSP (Liquica-Batugade-Maliana)	G0180	20-Nov-09	26-Feb-10	5-Apr-10	3	1
Mid-Level Skills Training Project	G0274	7-Dec-11	27-Jan-12	31-May-12	1	4
RNUSP - Additional Financing (Manatuto- Natarbora)	G0404	11-Sep-14	3-Dec-15	18-Dec-15	14	0
RNUP - Additional Financing (Aipelu- Bazartete-Gleno)	G0504	19-Oct-16	22-Nov-16	20-Feb-17	1	2
Dili Capitals Water Supply Project (Pante Makasar & Manatuto)	G0258	23-Sep-11	28-Oct-11	9-Mar-12	1	4
Coffee and Agroforestry Livelihood Improvement	G9509	28-May-20	13-Jul-20	9-Sep-20	1	1
Average Time					4.67	2.83

Notes. A/S=Approval to Signing S/E=Signing to Effective

RNDSP = Road Network Development Sector Project; RNUSP = Road Network Upgrade Sector Project; RNUP = Road Network Upgrade Project

APPENDIX 4. KNOWLEDGE WORK

Table A4.1 List of Knowledge Products and Events, 2016–2020

Title of Publication/Event	Subject	Type	Department/ STG	TA	Year
Asian Development Outlook 2016	Economics	Publication and launch event	ERCD	NA	2016
Asian Development Outlook Update 2016	Economics	Publication	ERCD	NA	2016
Pacific Economic Monitor, July 2016	Economics	Publication	PARD	NA	2016
Pacific Economic Monitor, December 2016	Economics	Publication	PARD	NA	2016
Asian Development Bank and Timor-Leste: Fact Sheet 2016	Economics	Publication	PARD	NA	2016
Law of the ASEAN Economic Community	RCI	Training	PARD	TA-9070	2016
Timor-Leste Coffee Industry Association Analysis	Private sector	Publication and workshop	PARD	NA	2016
Timor-Leste Coffee Association Development Workshops	Private sector	Publication and workshop	PARD	NA	2016
Timor-Leste International Coffee Festival	Private sector	Event organization	PARD		2016
Economic Analysis of Investment Projects	Economics	Training	PARD	TA-8565 REG	2016
Gender Inclusive Budgeting	Governance and PSM	Training	PARD	NA	2016
Gender Statistics for the Pacific and Timor-Leste	Gender	Publication	PARD		2016
Economic Reform Agenda for Timor-Leste—Presentation to the Timor-Leste National Development Forum	Economics	Publication and event	PARD	NA	2016
The Role of Nutrition in Economic Development—Presentation to Members of Parliament	Economics	Publication and event	PARD	NA	2016
National Consultation on Competition Policy for Timor-Leste	Private sector	Event organization	PARD	TA-8378 REG	2016
Lessons from Small Islands—Fiji Study Tour on Road Maintenance and Transport Regulation	Governance and PSM	Training	PARD	TA	2016
Timor-Leste in Focus (Seminar Series)	Various	Event	PARD	NA	2016
Pacific Energy Update 2016	Energy	Publication and documentation	PARD		
Pacific Economic Monitor 2016	Economics	Publication and documentation	PARD		
Gender Statistics for the Pacific and Timor-Leste	Gender	Publication and documentation		TA 7656	2016
Absorptive Capacity and the Impact of Commodity Terms of Trade Shocks in Resource Export-Dependent Economies	Economics	Publication and documentation	ERCD		2016

Title of Publication/Event	Subject	Type	Department/ STG	TA	Year
Pacific Energy Update 2017	Energy	Publication and documentation	PARD	NA	2017
Asian Development Outlook 2017	Economics	Publication and documentation		NA	2017
Asian Development Bank and Timor-Leste: Fact Sheet 2017	Various			NA	2017
Food Security in the Coral Triangle of the Pacific Countries: Prospects of Fisheries Development Strategies		Publication and documentation	PARD	TA 7753	2017
Timor-Leste: Country Operations Business Plan (2017-2019)		Institutional Document		NA	2017
Pacific Energy Update 2018	Energy			NA	2018
Fiscal Challenges to Financing Social Protection to Achieve the Sustainable Development Goals: A Case of Three Countries	Social Protection	Publication and documentation			2018
Asian Development Outlook 2018	Economics	Publication and documentation	ERCD	NA	2018
Asian Development Bank and Timor-Leste: Fact Sheet 2018	Various	Brochures and flyers			2018
Timor-Leste Transport Operations (2018)	Transport	Publication and documentation	PARD		2018
Pacific Energy Update (2018)	Energy	Publication and documentation	PARD		2018
Pacific Finance Sector Brief: Timor-Leste	Finance	Publication and documentation			2019
Road Investment and Maintenance Strategy	Transport	Training or capacity development	PARD	TA 9502	2019
Asian Development Outlook 2019	Economics	Publication and documentation	ERCD	NA	2019
Civil Society Brief: Timor-Leste		Publication and documentation	ERCD	NA	2019
ADB Operations in the Pacific	Various	Publication and documentation	PARD	NA	2019
O&M Training on Water Supply in Pante Macassar	Urban development and water	Training or capacity development	PARD	Grant 0258	2019
Pacific Economic Monitor (July 2019)	Economics	Publication and documentation	PARD		2019
National Coffee Sector Development Plan, 2020–2030	ANR	Publication and documentation	PARD	TA 9264	2019
Reforming Timor-Leste Technical Secondary Education	Education	Publication and documentation	PARD		2019
Public Financial Management Reform Conference	Governance and PSM	Event organization	PARD		2019
ASEAN Orientation Program	RCI	Training or capacity development	PARD	TA 9070	2019

Title of Publication/Event	Subject	Type	Department/ STG	TA	Year
Scoping Study on Enhanced Cross-Border Cooperation and Integration between Indonesia and Timor-Leste	RCI	Publication and documentation	SDCC	TA 9350	2019
Promoting Sustainable Land Transport Infrastructure	Transport	Publication and documentation	PARD	TA 9502	2019
Stakeholder Workshop on Social and Environmental Protection (2019)	Transport	Training or capacity development	PARD	TA 9361	2019
Application of Future Thinking and Foresight in the Water Sector in Timor-Leste	Urban and water	Training or capacity development	SDCC	TA 9619	2019
Social Protection Indicator for the Pacific	Economics	Publication and documentation	SDCC	TA 9534	2019
14 th Asia Clean Energy Forum	Energy	Flagship Event	SDCC	TA 9690	2019
Review of the ADB Clean Energy	Energy	Publication and documentation	SDCC	TA 8953	2019
3 rd Asia Finance Forum. The Future of Inclusive Finance	Finance	Signature Event	SDCC	TA 9364	2019
Asian Development Outlook 2018	Economics	Publication and documentation	ERCD	NA	2020

ASEAN = Association of Southeast Asian Nations, ERCD = Economic Research and Regional Cooperation Department, NA = not applicable, O&M = operation and maintenance, PARD = Pacific Department, SDCC = Sustainable Development and Climate Change Department, STG = Sector or Thematic Group, TA = technical assistance.

Source: Asian Development Bank.

Note: "Publications" may include databases, multimedia, and other forms of documentation. "Events" may include event organization and training or capacity development. The table includes additional knowledge publications and events delivered outside the list of indicative knowledge publications and events included in the 2016–2018 country operations business plan.

APPENDIX 5 – DEVELOPMENT PARTNERS STRATEGY AND COORDINATION

Table A5.1. Development Partners Strategies and Project in Selected Sectors

Sector/Sub-sector Strategy	Institution	Projects	Coordination/ Partnership
Transport			
Road Transport			
National Road Rehabilitation and Climate-proofing	ADB	Road Networks Development Sector Project (Liquiça-Maubara, Karimbala-Atabae, Batugade-Balibo-Maliana) (closed) - Road Network Upgrading Project (Dili-Liquiça & Tibar-Gleno (closed); and Ermera-Fatubesi, Aipelo-Bazartete-Tokoluli, Tasitolu-Tibar road sections (ongoing) -Road Network Upgrading Sector Project (Manatuto-Laclubar-Natarbora; Baucau-Lautem & Maubara-Karimbala, Atabae-Mota'ain (ongoing). -Dili to Baucau Highway Project (ongoing) -Baucau to Viqueque Highway Project (ongoing) Road Network Upgrading	Multi-donor PMU with JICA and World Bank Cofinancing Donor coordination meetings
National Road Rehabilitation and Climate-proofing and Construction	JICA	National Road No.1 Upgrading Project Project for Construction of Upriver Comoro Bridge	
Rural road maintenance	WB	The Project for the Capacity Development of Road Services in Timor-Leste (CDRS)	
	UNDP	Strengthening Community Resilience to Climate-induced disasters in the Dili to Ainaro Road Development Corridor, Timor-Leste.	
	UNDP/GEF	Timor-Leste Road Climate Resilience Project	
	DFAT and ILO	Road4Development	
Air Transport			
PPP Development	IFC	Dili Airport Expansion Project	
Infrastructure development	ADB	Preliminary Assessment of the Dili Airport Runway Upgrading Project	
	JICA	Project for Improvement of Presidente Nicolau Lobato International Airport	
Water Transport			
PPP Development	ADB (AP3F)	Project Preparation Assistance for the Tibar Bay Port PPP Project	
Port Infrastructure and procurement of water transports	WB/IFC	Technical support to PMU and PPP unit	
	JICA	Project for Urgent relocation of Ferry Terminal in Dili Port	
	GIZ	Support to MTC	

Sector/Sub-sector Strategy	Institution	Projects	Coordination/ Partnership
Energy			
Electricity			
Electricity network	ADB	Power Distribution Modernization Project (proposed)	
Renewable energy	UNDP	Promoting Sustainable Bio-Energy Production from Biomass	
Water and Urban services			
Urban water services			
Water infrastructure in urban areas	ADB	Dili Urban Water Supply Sector Project	
Water infrastructure in rural areas	KOICE/UNDP MCC	Facilitate access to water services in rural communities	
Secondary Education			
Vocational and technical training			
Vocational and technical training	ADB DFAT	Mid-level skill training projects Seasonal Workers Programme Workforce Development Program	ADB took part to project donor coordination meetings on secondary education.
	ILO	Support to SEFOPE in strategic planning	
	GIZ	Peace Fund – Peacebuilding and youth promotion	
	UNESCO	Support in organizing regional forum on TVET	
Secondary Education			
Finance			
Finance Sector development			
Inclusive Finance	ADB	Expansion of Financial Services	
Access to finance services	UNDP	Inclusive Finance for Underserved Economy (INFUSE)	
Regional Integration and Cooperation			
Legal reform and Trade cooperation	ADB	Enhanced Cooperation and Integration between Indonesia and Timor-Leste	
Agriculture			
Coffee Sector Production	ADB	Coffee and Agroforestry Livelihood Improvement Project	
Coffee Sector Productivity Enhancement	NZ Aid	Supporting to National Cooperative Business Association/Cooperativa Cafe Timor	
Value-Chains Enhancement	USAID	Avansa Agrikultura Project	
Agroforestry productivity enhancement	EU/ILO	ERA Agro-Forestry Project	

Sector/Sub-sector Strategy	Institution	Projects	Coordination/ Partnership
Tree Planting	EU/GIZ	Ai ba Futuru (Partnership for Sustainable Agroforestry – PSAF)	
Agriculture Sector Productivity	JICA	Project for Increasing Farmers Households' Income through Strengthening Domestic Rice Production	
	DFAT	TOMAK (To'os ba Moris Di'ak) – Farming for Prosperity	
Governance PFM Reform	ADB DFAT	Fiscal Policy for Improved Service Delivery Support Budget Reform and Programme Budgeting	
	World Bank	Technical Assistance support to PFM Reform Roadmap	
Private Sector Development			
Support to productive sector (agriculture)	JICA and ADB	Private Sector Investment Finance (PSIF) signed with OLAM	
Support to productive sectors (agriculture and tourism)	DFAT	Market Development Facility	